

Table of Contents

Overview	ix
-----------------------	----

Course Schedule	xiii
------------------------------	------

SECTION 1

Part 1. Cost Approach Introduction

Preview Part 1.....	1
Diagnostic Quiz.....	3
Why Use the Cost Approach?	8
Procedure	9
Principles and Concepts	10
Cost Approach Applications.....	11
Challenges in Applying the Cost Approach	12
Standards and Scope of Work Considerations	13
Review Part 1.....	15
Review Quiz.	17

Part 2. Site Valuation Perspectives

Preview Part 2.....	19
Land-Site Considerations	21
Principles Affecting Site Valuation.....	22
Identification of Land-Site Characteristics: Physical and Legal Considerations... 26	
Site Valuation Influences	27
Review Part 2.....	31
Review Quiz.	33

Part 3. Market Analysis and Highest and Best Use in Site Valuation

Preview Part 3.....	35
Market Analysis Overview.....	37
Market Analysis and Site Valuation	38
Performing Market Analysis	39
Highest and Best Use Considerations	44
Highest and Best Use and Site Valuation	49
Review Part 3.....	59
PRACTICE TEST—Section 1.....	61

SECTION 2

Part 4. Site Valuation Procedures

Preview Part 4.....	65
Site Valuation Methods.....	67
Valuing a Site Using Sales Comparison Analysis	68
Market Data Grids	84
Types of Adjustments	86
Price Adjustment Procedure	87
Quantitative Adjustments	88
Qualitative Analysis	94
Reconciliation	98
Review Part 4.....	101
Review Quiz.	103

Part 5. Extraction and Allocation Methods of Site Valuation

Preview Part 5.....	105
Extraction Method	107
Allocation Method	109
Review Part 5.....	117
PRACTICE TEST—Section 2.....	119

SECTION 3

Part 6. Introduction to the Summerville Case Study

Preview Part 6.....	121
Exercise 1	124
Review Part 6.....	127

Part 7. Summerville Case Study: Site Valuation

Preview Part 7.	129
Exercise 2	132
Review Part 7.....	135

Part 8. Characteristics of Improvements

Preview Part 8.....137
Building Inspection Overview 139
Construction Classifications (Not BOMA)151
Building Codes 155
Review Part 8.....157
PRACTICE TEST—Section 3.....159

SECTION 4

Part 9. Characteristics of Improvements, cont.

Preview Part 9.....161
Building Measurement 163
Building Condition Analysis166
Use of Plans and Specifications169
Components of Construction Documents169
Review Part 9.....175
Review Quiz.177

Part 10. Current Construction Cost

Preview Part 10.....179
Building Cost Analysis.....181
Sources for Cost Data191
Cost Estimating Methods.....191
Review Part 10.....213
Review Quiz.215

Part 11. Summerville Case Study: Estimating Current Construction Cost

Preview Part 11.....217
Exercise 3219
Review Part 11..... 223
PRACTICE TEST—Section 4.....225

SECTION 5

Part 12. Depreciation Concepts and Economic Age-Life Method

Preview Part 12.....	229
Major Considerations in Depreciation Analysis.....	231
Depreciation—Concepts and Definitions	234
Building Utility Analysis	245
Economic Age-Life Method	251
Economic Age-Life Applications	252
Modified Economic Age-Life Method	255
Review Part 12.....	261
Review Quiz	263

Part 13. Market Extraction Method

Preview Part 13.....	265
Market Extraction to Derive Estimates of Total Depreciation	267
Market Extraction Procedure	268
Market Extraction Calculations	269
Applications and Limitations	271
Review Part 13.....	275
Review Quiz.	277

Part 14. Types of Depreciation in the Breakdown Method

Preview Part 14.....	279
Curable Physical Deterioration.....	281
Incurable Physical Deterioration—Short-Lived Building Components.....	282
Incurable Physical Deterioration—Long-Lived Building Components.....	284
Functional Obsolescence Considerations	288
Measuring Functional Obsolescence	291
External Obsolescence—Caused by Negative Influences Outside the Property	299
Review Part 14.....	305
PRACTICE TEST—Section 5.....	307

SECTION 6

Part 15. Exercises in Depreciation

Preview Part 15.....	311
Exercises in Depreciation	313
Review Part 15.....	319

Part 16. Summerville Case Study: Depreciation Estimates

Preview Part 16.....	321
Exercise 4	324
Exercise 5	327
Review Part 16.....	331

SECTION 7

Part 17. Cost Approach Review

Preview Part 17.....	333
Cost Approach Review.....	335
Cost Approach Reconciliation	335
Conclusion.....	339
Scope of Work	339
Site Valuation	341
Construction Cost	342
Depreciation Estimates.....	343
Review Part 17....	345

Part 18. Review Questions on Market Analysis, Highest and Best Use, and Site Valuation Procedures

Preview Part 18.....	347
Review Questions on Market Analysis, Highest and Best Use, and Site Valuation Procedures.....	349
Review Part 18.....	353

Part 19. Comprehensive Depreciation Problem Using the Breakdown Method

Preview Part 19..... 355
Comprehensive Depreciation Problem Using the Breakdown Method357
Review Part 19..... 363

SECTION 8

Part 20. Exam Content Review

Preparing for the Exam. 365
Guidance on Taking the Final Exam..... 365
Test-Taking Strategies..... 366
Content Covered in Course..... 366

APPENDIX

Commercial Green and Energy-Efficient Addendum.367

Overview

Course Description

General Appraiser Site Valuation and Cost Approach is a practical, hands-on course that addresses the application of appraisal techniques learned in previous courses. This course concerns two basic aspects of real estate appraisal: land/site valuation and the development of the cost approach. Special attention is given to the appraisal of various types of sites and the means of measuring accrued depreciation. Another major course component is class work that enhances skills in developing a current cost estimate using information provided by professional cost data sources.

An in-depth case study is presented in five exercises. It features the valuation of an industrial property and demonstrates the fundamentals of site valuation, estimating current construction cost of improvements, and various methods of recognizing and measuring accrued depreciation.

This course provides 30 hours of education (27 classroom hours plus a three-hour exam) and is divided into eight sections. Sections 1 and 2 focus on the cost approach introduction, site valuation perspectives, and market analysis and highest and best use in site valuation. These sections cover basic site valuation principles, the concept of market analysis, and the development of a highest and best use conclusion.

Sections 3 and 4 cover the characteristics of improvements along with estimating current construction cost. Exercises in the Summerville Case Study are introduced in these sections.

Section 5 covers depreciation concepts, the market extraction method of measuring depreciation, and the types of depreciation in the breakdown method. Section 6 offers exercises in depreciation, including estimating depreciation in the Summerville Case Study.

Section 7 is devoted to a review of the cost approach, market analysis and highest and best use, and site valuation procedures. This section also includes a comprehensive depreciation problem using the breakdown method.

This course is designed for individuals with introductory experience and an understanding of the fundamental concepts of appraising who wish to become licensed and/or certified appraisers. This course translates theory into practice through extensive and varied classroom activities. By applying concepts to real-world situations, participants can discover new ways to use their knowledge and analytical skills.

Learning Enhancements

This course was designed with a variety of elements to enhance your learning experience.

- **Preview.** To give you a taste of what is to come, the preview page that begins each part includes a brief overview of the content plus learning objectives and tips that will assist you in understanding the material you're about to cover.
- **Learning Objectives.** Each learning objective covers information needed to fully understand the concepts in the course. Look them over before the part begins so that you have a frame of reference as you move through the material. At the end of each part, reread the objectives. Are you able to do what is stated? If not, this is the time to ask your instructor for help or review the concepts that you do not understand.
- **Examples and Problems.** Supplementing the discussions are examples and problems to help you visualize and practice what you are learning.
- **Fill-In-the-Blanks.** It is a fact that when you write something down, you are more apt to remember it. The course handbook has "missing" content in the outline that you will need to add in the space provided in your handbook as the instructor goes over the content.
- **Review.** Each part concludes with a review, which repeats the learning objectives and key terms and concepts that have been covered. Also provided, where appropriate, are recommended readings from textbooks that will reinforce what you have learned in class.
- **Practice Quizzes and Section Tests.** Short review quizzes are included at the end of most parts, and practice tests are included at the end of most sections. The questions and problems on the practice tests are similar to the types of questions and problems you might find on the exam.
- **Self-Study Problems Booklet.** This component includes a brief review of some items that participants should know for the exam. It provides practice problems for participants to test themselves as they prepare for the exam. Solutions are included at the back of the booklet. Instructors do not cover this component in class. It is supplementary material only.
- **Suggested Solutions.** This booklet includes suggested solutions to course problems, review quizzes, practice tests, and the fill-in-the-blanks that appear throughout the course outline.
- **Digging Deeper.** *Digging Deeper information goes beyond the scope of the course and is not intended to be covered in class. It is not tested on the course exam; however, appraisers preparing for the comprehensive exam should be familiar*

with it, as well as all other material contained in the course handbook, whether or not it is presented in class.

Classroom Guidelines

To make the class a positive experience for all participants, please observe the following:

- 100% attendance is required. No exceptions.
- Limit use of laptops to classroom projects.
- Communicate with business associates during break time instead of class time.
- Put away reading materials such as newspapers and books that are not used in class.
- Silence cell phones.
- Use recording devices only if prior permission has been granted.
- Refrain from ongoing conversations with those seated near you and other distracting behavior.

General Information

- **Calculators.** A financial calculator is required. The accepted model used in the course is the HP-12C. **Important Note:** Laptops, cellular phones, tablets, iPads, wearable technology (smart watch, Apple Watch, Google Glass, etc.), and other devices that can store data or connect to the Internet are **NOT** permitted during the exam. In addition, all smart watches, bags, and purses must be removed and stored out of reach prior to taking the exam.
- **Breaks.** There will be two 10-minute breaks during the morning session and two 10-minute breaks during the afternoon session unless noted otherwise by the instructor. The lunch break is one hour.
- **Attendance sheets** will be distributed during class to verify your attendance during the morning and afternoon sessions.
- **Certificates of completion** will be available for download after completion of the course. Attendance during the entire course is required.

Recommended Texts

- *The Appraisal of Real Estate*, 15th ed.
- *The Dictionary of Real Estate Appraisal*, 7th ed.
- *Scope of Work*, 3rd ed., Stephanie Coleman, MAI, SRA, AI-GRS, AI-RRS