

Table of Contents

Overview	xiii
-----------------------	------

Schedule	xvii
-----------------------	------

SECTION 1

Online Session

Preview	1
Tips	2
Downloads	3
Assignments	3

Part 1. Online Session: Discounted Cash Flow Analysis Using Excel

Preview	5
Introduction	8
Layout	9
Reference Table	14
Reference Rows	15
Formatting Numbers	18
Income Projection	19
Spreadsheet Functions	21
Value Indication	24
Sensitivity Analysis	26
Review	27

Part 2. Online Session: Graphic Analysis Using Excel

Preview	29
Introduction	31
Graphing the Data in Graphic Analysis	34
Curve Fit Analysis (Linear)	38
Curve Fit Analysis (Curvilinear)	41
Power Curve Trend Line	46
Review	53

SECTION 2

Part 3. Income Capitalization Approach for Leased Fee Interests

Preview.....	55
Below-the-Line Expenses	57
Fee Simple	60
Leased Fee/Leasehold Valuation.....	61
Property Rights Adjustment.....	66
Relationship of Risk and Discount Rates.....	72
Imperfection in the Market for Leased Fees.....	75
Review.....	83
Review Quiz	85

Part 4. Case Study 1: Suburban Office with Below-Market Rent

Preview.....	89
The Small Group Process	89
Case Study 1: Introduction.....	93
Exercise 1	94
Review.....	97

SECTION 3

Part 5. Case Study 1: Suburban Office with Below-Market Rent, cont.

Preview.....	99
Exercise 2	101
Exercise 3	102
Exercise 4	103
Review.....	105

Part 6. Cost and Sales Comparison Approaches for Leased Fee Interests

Preview.....	107
Cost Approach Considerations for Leased Fee Interests	109
Sales Comparison Approach Considerations for Leased Fee Interests	114
Treatment of Property Rights in the Valuation Approaches for a Leased Fee Interest	116
Review.....	117
Review Quiz	119

Part 7. Case Study 1: Suburban Office with Below-Market Rent, cont.

Preview..... 121
Exercise 5 123
Exercise 6 123
Exercise 7 124
Review..... 125

SECTION 4

Part 8. Group Presentations on Case Study 1: Suburban Office with Below-Market Rent

Preview..... 127
Evaluating Group Presentations 129
Case Study Wrap-up 130
Review..... 131

Part 9. Projecting Net Operating Income and Cash Flows

Preview..... 133
Common Errors in Treating CAM Expenses in a Net Operating Income
Statement 135
Discounted Cash Flow Considerations..... 137
Review..... 141

Part 10. Case Study 2: Proposed Retail Property

Preview..... 143
Case Study 2: Introduction 145
Exercise 1 146
Review..... 149

Part 11. Proposed Project Valuation

Preview..... 151
Common Valuation Premises..... 153
Extraordinary Assumption Versus Hypothetical Condition 154
Changing Market Conditions..... 157
Typical Valuation Premises Timeline 158
Variations on Typical Valuation Premises Timeline 159
Review..... 161

SECTION 5

Part 12. Proposed Project Valuation, cont.

Preview.....	163
Allocation of Entrepreneurial Incentive in Proposed Project Valuation	165
Treatment of Entrepreneurial Incentive in the Valuation of a Proposed Project by DCF (Two Methods)	167
Rent-up Adjustment Concepts	171
Deriving the Rent-up Adjustment.....	172
Review.....	183
Review Quiz	185

Part 13. Case Study 2: Proposed Retail Property, cont.

Preview.....	187
Exercise 2	189
Exercise 3	190
Review.....	191

Part 14. Cost Approach for a Proposed Project

Preview.....	193
Entrepreneurial Incentive	195
Depreciation	198
Review.....	203

SECTION 6

Part 15. Sales Comparison Approach for a Proposed Project

Preview.....	205
Market Conditions Adjustments	207
Age/Condition Adjustments.....	208
Rent-up Adjustment	209
Review of Application of the Three Approaches to Value for a Proposed Project.....	209
Review.....	211
Review Quiz	213

Part 16. Case Study 2: Proposed Retail Property, cont.

Preview.....	217
Exercise 4	219
Exercise 5	219
Exercise 6	220
Review.....	221

Part 17. Group Presentations on Case Study 2: Proposed Retail Property

Preview.....	223
Evaluating Group Presentations	225
Case Study Wrap-up	226
Review.....	227

SECTION 7

Part 18. Market Analysis for Apartment Properties

Preview.....	229
Apartment Demand	231
An Application of Fundamental Demand Analysis	234
Market Analysis Reconciliation	241
Review.....	243

Part 19. Case Study 3: Apartment Property in a Potentially Unbalanced Market

Preview.....	245
Case Study 3: Introduction.....	247
Exercise 1	248
Exercise 2	249
Review.....	251

Part 20. Real Estate Cycles

Preview.....	253
Reasons for Analyzing and Projecting Real Estate Cycles	255
Four Stages of a Real Estate Cycle	255
Characteristics of a Market at Equilibrium	258
Lagging Market Reaction.....	261
Reflecting Cycles in Projections	263
Review.....	265
Review Quiz	267

SECTION 8

Part 21. Reflecting Market Conditions in the Cost Approach

Preview.....	269
Entrepreneurial Incentive	271
External Obsolescence Due to Market Conditions	272
Review.....	277
Review Quiz	279

Part 22. Reflecting Market Conditions in the Income Capitalization and Sales Comparison Approaches

Preview.....	281
Income Capitalization Approach Considerations for Market Disequilibrium	283
Imperfect Market Reaction to Disequilibrium	288
Sales Comparison Approach Considerations for Market Disequilibrium.....	288
Review.....	289

Part 23. Case Study 3: Apartment Property in a Potentially Unbalanced Market, cont.

Preview.....	291
Exercise 3	293
Exercise 4	294
Exercise 5	294
Exercise 6	295
Review.....	297

SECTION 9

Part 24. Group Presentations on Case Study 3: Apartment Property in a Potentially Unbalanced Market

Preview.....	299
Evaluating Group Presentations	301
Case Study Wrap-Up	301
Review.....	303

Part 25. Fundamental Demand Analysis for Subdivisions

Preview.....	305
Introduction to Fundamental Demand Analysis for Subdivisions	307
Sources of Demographic Projections.....	309
Methods of Projecting/Forecasting the Ratio of Demand Attributable to the Subject Property's Submarket (Economic Segment or Other)	309
Methods of Projecting the Subject Property's Capture Rate	313
Review.....	319
Review Quiz	321

Part 26. Case Study 4: Proposed Subdivision

Preview.....	323
Case Study 4: Introduction.....	325
Exercise 1	326
Review.....	327

SECTION 10

Part 27. Sales Comparison and Cost Approaches for Subdivision Properties

Preview.....	329
Sales Comparison Approach	331
Cost Approach	333
Review.....	337

Part 28. Case Study 4: Proposed Subdivision, cont.

Preview.....	339
Exercise 2	341
Exercise 3	341
Review.....	343

Part 29. Discounted Cash Flow Analysis for Subdivision Properties

Preview.....	345
Overview.....	347
Procedure	347
Review.....	361
Review Quiz	363

Part 30. Case Study 4: Proposed Subdivision, cont.

Preview..... 365
Exercise 4 367
Exercise 5 368
Review..... 369

Part 31. Group Presentations for Case Study 4: Proposed Subdivision

Preview..... 371
Evaluating Group Presentations 373
Case Study Wrap-Up 373
Review..... 375

SECTION 11

Part 32. Course Review

Preview..... 377
Preparing for the Exam..... 379
Guidance on Taking the Final Exam 380
Course Review Questions..... 381
References for Course Review Questions 387
Review..... 389

APPENDICES

Appendix A. Characteristics of Office Properties and
Office Property Measurement..... 393
Appendix B. Retail Properties 401
Appendix C. Valuing Apartment Properties 413
Appendix D. Characteristics of Subdivisions and
Subdivision Valuation Issues 421

Green Commercial and Energy Efficient Addendum
Green Residential and Energy Efficient Addendum

Overview

Course Description

Advanced Concepts & Case Studies synthesizes basic and advanced valuation techniques taught in previous courses and addresses consistent treatment of the three valuation approaches for various valuation problems. Case studies teach participants how to address common but complex appraisal issues, including a leased fee not at market rent, a proposed property, a property in a market not at equilibrium, and a subdivision. The course emphasizes the need to test the reasonableness of conclusions in an appraisal.

This is primarily a synthesis course, not a review course. Like all advanced education courses sponsored by the Appraisal Institute, the course naturally reviews many concepts taught in previous courses. However, it includes some new material and does not include a complete overview of the other courses. Therefore, *Advanced Concepts & Case Studies* should not be considered an adequate review for the comprehensive exam. To prepare for the comprehensive exam, participants must review all four advanced education courses, as well as basic concepts from qualifying education for certified general appraisers.

Each case study in *Advanced Concepts & Case Studies* requires that you value a property by each of the three valuation approaches and reconcile the value indications into a final value opinion for the property. To ensure that key—and sometimes advanced—concepts and procedures are covered in the course, however, each case study deals with a different type of property, and each property valuation requires at least one special focus.

Each case study also requires the application of procedures you may not have had to apply often, if at all, in your work. Consequently, we have supplied lectures, discussion questions, examples, and problems to give you the tools that you need to apply in solving the case studies. *There are also review quizzes designed not only to review essential material but also to give you some practice for the course examination.*

To enable you to move through the course work with some confidence, the course parts first present material that covers procedures to be applied in the case study exercises that follow. These exercises are completed as group work, and the groups' solutions are reviewed after all the exercises for the case study have been completed.

Before the exam, your instructor will conduct a full course review that includes problems similar to the ones you have already solved. All problems in the course review as well as in the review quizzes within the course are in the multiple-choice format, which is used in this and most Appraisal Institute course examinations. The course examination is three hours.

Important Notes

- **Diagnostic Test Prerequisite.** To successfully complete courses in the advanced education curriculum, it is important that participants have basic spreadsheet skills. Therefore, before enrolling in an advanced education course, participants are required to take a diagnostic test in which the participant demonstrates his or her skill level in creating and working with spreadsheets. Participants may register for an advanced education course if they do not pass the diagnostic test, but it is not recommended.
- **Blended Learning.** Each course in the advanced curriculum incorporates both online and live classroom education learning. A two-hour Online Session begins the course. While the content for each course is different, these online sessions all incorporate discussion and examples, and require participants to complete various tasks. By completing the online session, participants will have a better understanding of what to expect in the live classroom sessions that will follow. If the tasks are difficult, participants will have time to review and prepare before the live portion of the course begins. Tasks will not be graded; however, they must be completed to successfully pass the course. The online session, which goes live 28 days before the classroom session begins, must be completed **BEFORE** the classroom session begins. Upon completion of the online session, participants will have the option of downloading the accompanying Online Solutions Booklet.
- **Excel Templates.** This course incorporates a variety of interactive learning activities, including Excel spreadsheets. Participants are required to download the necessary Excel Templates while completing the online session so that they have them when they begin the live classroom session of the course.
- **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.**

Learning Enhancements

The course has been designed with a variety of elements to enhance your learning experience.

- **Blended Learning.** Blended learning provides an effective mix of classroom and computer-mediated instruction. The two-hour Online Session that precedes the live classroom sessions allows you flexibility to complete the readings and tasks on your own schedule at your own pace. The two-hour online session sets the stage for what is to come in the live sessions. You'll have self-study time to adequately review additional materials or correspond with your instructor if necessary to ensure you're prepared to complete the rest of the course successfully.

- **Preview.** To give you a taste of what is to come, you will find a Preview page that begins each Part. Included on the Preview page is a brief overview of the content, learning objectives to consider as you move through the content, and learning tips that will assist you in understanding the information you're about to learn.
- **Learning Objectives.** Each learning objective covers essential information you need to know 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.
- **Excel Templates.** Many of the templates presented in the course for problem solving are provided in Excel (download). They may be used during the course as an aid in problem solving but also have real world applications outside the course. Many have embedded calculations; these are for simplicity but should not be used as a crutch. It is most important that participants understand the logical and mechanical operations associated with the spreadsheets and not just obtain the right answer.
- **Examples, Problems, and Discussion Questions.** Supplementing the lectures, we've included examples, problems, and discussion questions to help you visualize and practice what you are learning.
- **Review.** Each Part concludes with a review. Included in the review are the learning objectives and key terms and concepts that have been covered. Also, we've provided recommended readings from textbooks that will reinforce what you have learned in class.
- **Review Quizzes.** Short review quizzes are included at the end of most Parts; a Practice Test is included at the end of the course. The questions are similar to the types of questions you might find on the exam. By answering the multiple-choice questions, you will find out whether or not you really know the information that was covered in that Part.
- **Group Exercises.** This course is unique in that its principal work is accomplished by participants working in small groups to complete exercises on each of four case studies. Each course Part in which group exercises are completed is titled by the title of the case study being solved. Specific exercises are provided in those Parts to advance the work on that case study.
- **Self-Study Problems.** A separate Self-Study Problems booklet is provided for additional review and practice. Your instructor will not cover these problems in class.

Classroom Guidelines

To make the course a positive experience for everyone attending, we have some guidelines for your consideration:

- 100% attendance is required. No exceptions.
- Limit use of computers and wireless devices 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.
- **Laptop computers and flash drive.** A laptop computer and flash drive are required.
- **Spreadsheet program: Excel.** A spreadsheet program is required (participants can use other spreadsheet programs, but those programs won't be supported in class; demonstrations will be done in Excel).
- **Breaks.** There will be two 10-minute breaks during each half-day session unless noted otherwise by the course sponsor. The lunch break is one hour.
- **Attendance sheets** will be distributed during class to verify your attendance for each half-day session.
- **Certificates of completion** may be downloaded after completion of the course, and attendance during the entire course is required.

Recommended Texts

- *The Appraisal of Real Estate*, 15th ed.
- *The Dictionary of Real Estate Appraisal*, 6th ed.
- *Market Analysis for Real Estate: Concepts and Applications in Valuation and Highest and Best Use*, 2nd ed.
- *The Valuation of Apartment Properties*, 2nd ed.
- *Subdivision Valuation*, 2nd ed.
- *Shopping Center Appraisal & Analysis*, 2nd ed.
- *The Valuation of Office Properties: A Contemporary Perspective*

Prerequisites

Required Courses or Their Equivalents

- *Advanced Education Diagnostic Test*
- *Basic Appraisal Principles*
- *Basic Appraisal Procedures*
- *National Uniform Standards of Professional Appraisal Practice (USPAP) Course, 15-hour*
- *Real Estate Finance, Statistics, and Valuation Modeling*
- *General Appraiser Market Analysis and Highest & Best Use*
- *General Appraiser Sales Comparison Approach*
- *General Appraiser Site Valuation and Cost Approach*
- *General Appraiser Income Approach/Part 1*
- *General Appraiser Income Approach/Part 2*
- *General Appraiser Report Writing and Case Studies*
- *Advanced Income Capitalization*

Recommended Course

- *Advanced Market Analysis and Highest & Best Use*

Exam

- 40 multiple-choice questions
- Please remember all 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 watches, wallets, bags, and purses must be removed and stored out of reach prior to taking the exam.