

**NATIONAL UNIFORM EXAMINATION CONTENT OUTLINE  
ALL APPRAISER CLASSIFICATIONS**

**I. INFLUENCES ON REAL ESTATE VALUE**

- A. Physical & Environmental
- B. Economic
- C. Governmental & Legal
- D. Social

**II. LEGAL CONSIDERATION IN APPRAISAL**

- A. Real Estate vs. Real Property
- B. Real Property vs. Personal Property
  - \*1. Fixture
  - \*2. Trade Fixtures
  - \*3. Machinery & Equipment
- C. Limitations on real estate ownership
  - 1. Private
    - a. Deed Restrictions
    - b. Leases
    - c. Mortgages
    - d. Easements
    - e. Liens
    - f. Encroachments
  - 2. Public
    - a. Police power
      - (1) Zoning
      - (2) Building & fire codes
      - (3) Environmental regulations
    - b. Taxation
      - (1) Property tax
      - (2) Special assessments
    - c. Eminent domain
    - d. Escheat
- D. Legal rights & interests
  - 1. Fee simple estate
  - 2. Life estate
  - 3. Leasehold interest
  - 4. Leased fee interest
  - 5. Other legal interests
    - a. Easement
    - b. Encroachment
- E. Forms of property ownership
  - 1. Individual
  - 2. Tenancies & undivided interests
  - 3. Special ownership forms
    - a. Condominiums
    - b. Cooperative
    - c. Time-Sharing
- F. Legal descriptions
  - 1. Metes & bounds
  - 2. Government survey
  - 3. Lot & block
- G. Transfer of title
  - 1. Basic types of deeds
  - 2. Recordation

**III. TYPES OF VALUE**

- A. Market Value or Value in Exchange
- B. Price
- C. Cost
- D. Investment Value
- E. Value in Use
- F. Assessed Value
- G. Insurable Value
- \*H. Going Concern Value

\*APPLIES TO GENERAL REAL PROPERTY APPRAISER CLASSIFICATION ONLY  
(See Reverse Side)

**IV. ECONOMIC PRINCIPLES**

- A. Anticipation
- B. Balance
- C. Change
- D. Competition
- E. Conformity
- F. Contribution
- G. Increasing & Decreasing Returns
- \*H. Opportunity Cost
- I. Substitution
- J. Supply & Demand
- K. Surplus Productivity

**V. REAL ESTATE MARKERS & ANALYSIS**

- A. Characteristics of real estate market
  - 1. Availability of information
  - 2. Changes in supply vs. demand
  - 3. Immobility of real estate
  - 4. Segmented markets
  - 5. Regulations
- B. Absorption analysis
  - 1. Demographic data
  - 2. Competition
  - 3. Absorption
  - 4. Forecasts
  - \*5. Existing space inventory
  - \*6. Current & projected space surplus
  - \*7. New space
- C. Role of money & capital markets
  - 1. Competing investments
  - 2. Sources of capital
- D. Real estate financing
  - 1. Mortgage terms & concepts
    - a. Mortgagor
    - b. Mortgage
    - c. Principal & interest
  - 2. Mortgage payment plans
    - a. Fixed rates, level payment
    - b. Adjustable rate
    - c. Buydown
    - d. Other
  - 3. Types of mortgages
    - a. Conventional
    - b. Insured

**VI. VALUATION PROCESS**

- A. Definition of the problem
  - 1. Purpose & use of appraisal
  - 2. Interests to be appraised
  - 3. Type of value to be estimated
  - 4. Date of the value estimate
  - 5. Limiting conditions
- B. Collection & analysis of data
  - 1. National & regional trends
  - 2. Economic base
  - 3. Local area & neighborhood
    - a. Employment
    - b. Income
    - c. Trends
    - d. Access
    - e. Locational convenience
  - 4. Site & Improvements
- C. Analysis of highest & best use

- D. Application & limitations of each approach to value
  - 1. Sales comparison
  - 2. Cost
  - 3. Income capitalization
- E. Reconciliation & final value estimate
- F. The appraisal report

#### VII. PROPERTY DESCRIPTION

- A. Site description
  - 1. Utilities
  - 2. Increasing & Decreasing Returns
  - 3. Topography
  - 4. Size
- B. Improvements description
  - 1. Size
  - 2. Condition
  - 3. Utility
- C. Basic construction & design
  - 1. Techniques & materials
    - a. Foundations
    - b. Framing
    - c. Finish (exterior & interior)
    - \*d. Mechanical
  - 3. Functional Utility

#### VIII. HIGHEST 7 BEST USE ANALYSIS

- A. Four tests
  - 1. Physically possible
  - 2. Legally permitted
  - 3. Economically feasible
  - 4. Maximally productive
- B. Vacant site or as if vacant
- C. As improved
- D. Interim use

#### IX. APPRAISAL MATH & STATISTICS

- \*A. Compound interests concepts
  - \*1. Future value of \$1
  - \*2. Present value of \$1
  - \*3. Future value of an annuity of \$1 per period
  - \*4. Present value of an annuity of \$1 per period
  - \*5. Sinking fund factor
  - \*6. Installment to amortize \$1 (loan constant)
- B. Statistical concepts used in appraisal
  - 1. Mean
  - 2. Median
  - 3. Mode
  - 4. Range
  - 5. Standard deviation

#### X. SALES COMPARISON APPROACH

- A. Research & selection of comparison
  - 1. Data sources
  - 2. Verification
    - \*a. Income
      - \*(1) Potential gross income multiplier
      - \*(2) Effective gross income multiplier
      - \*(3) Overall rate
    - b. Size
      - (1) Square foot
      - (2) Acres
      - (3) Other
    - c. Utility (examples only)
      - \*(1) Motel & apartment units
      - \*(2) Theater seats
      - (4) Other
- B. Elements of comparison
  - 1. Property rights conveyed

- a. Easements
- b. Leased fee/Leasehold
- \*c. Mineral rights
- d. Others
- 2. Financing terms & cash equivalency
  - a. Loan payment
  - b. Loan balance
- 3. Conditions of sale
  - a. Arms length sale
  - b. Personality
- 4. Market conditions at time of contract & closing
- 5. Location
- 6. Physical characteristics
- \*7. Tenant improvements
- C. Adjustment process
  - 1. Sequence of adjustments
  - 2. Dollar adjustments
  - 3. Percentage adjustments
  - 4. Paired sales analysis
- D. Applications of sales comparison approach

#### XI. SITE VALUE

- A. Sales comparison
- B. Land residual
- C. Allocation
- D. Extraction
- \*E. Ground rent capitalization
- \*F. Subdivision analysis
  - \*1. Development cost: direct & indirect
  - \*2. Contractor's overhead & profit
  - \*3. Forecast absorption & gross sales
  - \*4. Entrepreneurial profit
  - \*5. Discounted value conclusion
- G. Plottage & assemblage

#### XII. COST APPROACH

- A. Steps in cost approach
  - 1. Reproduction vs. replacement cost
    - a. Comparative unit method
    - b. Unit-in-place method
    - c. Quantity survey method
    - d. Cost service index
  - 2. Accrued Depreciation
    - a. Types of depreciation
      - (1) Physical deterioration
        - (a) Curable
        - (b) Incurable
        - (c) Short-lived
        - (d) Long-lived
      - (2) Functional obsolescence
        - (a) Curable
        - (b) Incurable
      - (3) External obsolescence
        - (a) Locational
        - (b) Economic
    - b. Methods of estimating depreciation
      - (1) Age-life method
      - (2) Breakdown method & sequence of deductions
      - (3) Market extraction of depreciation
- B. Application of the cost approach

#### XIII. INCOME APPROACH

- A. Estimation of income & expenses
  - 1. Gross market income
  - 2. Effective gross income
    - a. Vacancy
    - b. Collection loss
  - 3. Operating expenses

## VI. VALUATION PROCESS

- a. Fixed expenses
- b. Variable expenses
- c. Reserve for replacements
- 4. Net operating
- B. Operating statement ratios
  - 1. Operating expense ratios
  - \*2. Net income ratio
  - \*3. Break-even ratio
- C. Direct capitalization
  - \*1. Relevance & limitations
  - \*2. Overall capitalization rate
  - 3. Gross income multiplier and net income ratio
  - \*4. Bank of investment (mortgage equity) techniques
  - \*5. Residual techniques
    - \*a. Land (building value given)
    - \*b. Building (land value given)
    - \*c. Equity (mortgage value given)
- D. Cash flow estimates (before tax only)
  - \*1. Operating years
    - \*a. Estimating NOI with a change in NOI
    - \*b. Estimating NOI using lease information
    - \*c. Cash flow (NOI less mortgage payment)
  - \*2. Reversion
    - \*a. Estimating resale with a change in value
    - \*b. Estimating resale with a terminal capitalization rate
    - \*c. Cash flow (sale price less mortgage balance)
    - \*d. Deductions for cost of sale & legal fees to arrive at a net reversion
- \*E. Maximum of cash flow
  - \*1. Equity divided rate (cash on cash rate)
  - \*2. Debt coverage ratio
- \*F. Discounted cash flow analysis (DCF)
  - \*1. Relevance & limitations
  - \*2. Potential gross income and expense estimate
    - \*a. Market vs. contract rents
    - \*b. Vacancy & lease commissions
    - \*c. Tenant improvements & concessions
  - \*3. Discount rates & yield rates (definitions & concept but no calculations of yield rates)
  - \*4. Discounting cash flows (from operations & reversion where all cash flows projected in dollar amounts & tables or calculators can be used)

## XIV. VALUATION OF PARTIAL INTERESTS

- \*A. Interests created by a lease
  - 1. Leased fees
  - 2. Leasehold
  - \*3. Subleasedhold
  - \*4. Renewal options
  - \*5. Tenant improvements
  - \*6. Concessions
- \*B. Lease Provisions
  - \*1. Overage rent
  - \*2. Expense stops
  - \*3. Net leases
  - \*4. Minimum rent
  - \*5. Percentage rent
  - \*6. CPI adjustments
  - \*7. Excess rent
- \*C. Valuation considerations
  - \*1. Identifying the cash flows to the different interests, including turnover ratios
  - \*2. Discount rate selection for different interests
  - \*3. Relationship between the values of the interests
- \*D. Other partial interests
  - 1. Life estates
  - 2. Undivided interest in commonly held property
  - 3. Easements
  - 4. Timeshares
  - 5. Cooperative

## XV. APPRAISAL STANDARDS AND ETHICS

**EXPERIENCE IN THE TESTING OF APPLICANTS INDICATES A NEED FOR ADDITIONAL PREPARATION IN THE FOLLOWING AREAS:**

- (1) APPRAISAL STATISTICAL CONCEPTS
- (2) ECONOMIC PRINCIPLES
- (3) INCOME APPROACH
- (4) INFLUENCES VALUE
- (5) REAL ESTATE MARKETS AND ANALYSIS
- (6) SITE VALUE
- (7) VALUATION OF PARTIAL INTERESTS
- (8) VALUATION PROCESS