January 2013 Level 1 Review Test Answers

1. A property's tax bill is $15,000 and the property's market value is $3,000,000. What is the effective tax rate?
You divide the taxes paid by the market value of the property.

Taxes	$15,000	Divided by	MV	$3,000,000	Answer	0.50%

2. A Business has a NOI monthly income of $1,000. The rate of return is 10%. What is the value of the property?
This is a direct capitalization problem in which you need to use IRV. You need the annual income for this!!
You know the NOI and the Cap Rate. You are looking for value.
In IRV V=I/R so
To get Income you multiply the per month of $1,000 times 12 to get the yearly NOI.

V =	$12,000	divided by	10.00%	=	$120,000	Answer	$120,000

3. NE 1/4, SE 1/4, NE 1/4 of section 5 has how many square feet?
640 total acres in a section

160--40--10	10	43560	435600	Answer	$435,600

4. Sale #1 sold 1 yr. ago for $50,000 and 8 months ago for $53,600
Sale #2 sold 1 yr. ago for $48,000 and 5 months ago for $54,048
Sale #3 sold 1 yr. ago for $52,000 and 9 months ago for $54,808
What is the time adjustment per month?

	1st Sale	2nd Sale	Difference	Divide by 1st Sale	% Change	# months	% per Month
Sale # 1	$50,000	$53,600	$3,600	$3,600/$50,000	7.20%	4	1.80%
Sale # 2	$48,000	$54,048	$6,048	$6,048/$48,000	12.60%	7	1.80%
Sale # 3	$52,000	$54,808	$2,808	$2,808/$52,000	5.40%	3	1.80%
						Answer	1.80%

5. Basement recreation room has 1,800 sq. ft. It has floor, ceiling and interior wall finish. What is the cost to add for this room?
First go to Book 1 to Chapter 3, and determine the Rec room type, either 1, 2, 3, or 4.
Ours has Floor, Ceiling, and Wall Finish which per the above is a Rec Room Type 2
Now go to Book 1 to Appendix C, Schedule C and look at the right hand side of the chart.
Then under Rec Room Type 2 for 1,800 Square Feet you should see $11,300 — Answer $11,300

6., 7., & 8. Bldg. has 40,000 sq. ft of gross bldg. area and 39,000 sq. ft. of net leasable area. Mkt. rent is $20 per sq. ft. for net leasable area. Vac. and coll. loss is 4% of PGI. Misc. income is $4,000. Operating expenses are 35% of EGI, and debt service is projected to be 75% of NOI.

PGI	$39,000	times	$20	$780,000	PGI	Answer # 6	$780,000
V & C Loss	4%	times	$780,000	($31,200)	V & C		
Misc Income				$4,000	Misc.In		
EGI				$752,800	EGI	Answer # 7	$752,800
Exp	35%	times	$752,800	($263,480)	Exp		
NOI				$489,320	NOI	Answer # 8	$489,320

9. A property contains 15,000 sq. ft. Market rent is $16.00 per sq. ft. The vacancy rate for this type business is 5%, and the collection loss rate is 1%. The property has misc. income of $500/month. Net leasable area is 14,000 sq. ft. What is the EGI for this property?

PGI	14,000	16	$224,000		
V & C	0.06		($13,440)		
Misc Inc	$500/mo		$6,000		
EGI			$216,560	Answer	$216,560

10. A residential parcel has 10 acres. There is a dwelling on the property. 7 acres are being farmed. The farm land base rate is $2,050 and the productivity factor is 1.10. Excess residential acreage is valued at $1,250 per acre. Homesites are valued at $6,000. What is the estimated value of this parcel rounded to the nearest $100?

One acre homesite	1		$6,000				
Excess acres	2		$2,500				
Farm land	7		$15,790				
Total acres	10		$24,290			Answer	$24,300
Excess acres	1250		$1,250		2	$2,500	
Farm land price	2050	1.1	$2,255		7	$15,790	

11. A two story frame house has 1,500 sq. ft. on each floor. The first floor has 2 increments of brick. The second floor has 1 increment of brick. What value would you have for the second floor?
Go to Schedule A of Appendix C in Book 1

1,500 sq ft for second floor	$47,400		
add for 1 increment of brick on 2nd floor	$1,500		
Total second floor	$48,900	Answer	$48,900

12. The house in question 11 has a finished basement of 1,000 sq. ft. What value would you put down for the basement?

Go to Schedule A of Appendix C in Book 1 for Unfin Bsmt	**$23,400**		
Add basement finish	**$26,400**		
	$49,800	**Answer**	**$49,800**

13. The house in question 11 has an open framed porch of 550 sq. ft. What value would you put down for the porch?

Go to Schedule A, of Appendix C.			
First 400 sq ft of OFP	**$11,100**		
We have 550 so -400 leaves 150 rounded is 2 100 ft increments			
2 times $1,800 for each increment equals	**$3,600**		
	$14,700	**Answer**	**$14,700**

14. Apartment houses in the area have a GIM of 7.0. The EGI of the subject house is $70,000 and the NOI is $48,000. What is the estimated value of the subject property?

Remember GIM is an annual factor based on Effective Gross Income			
So we have Effective Gross Income of	**$70,000**		
GIM of	**7**		
Estimated value is 7 times the Effective Gross Income or	**$490,000**	**Answer**	**$490,000**

15. A house has an attic of 1,400 sq. ft. Of which 900 is finished. What value would you put on the property record card for the attic?

Attics are in Appendix C, Book 1			
Figure the same as a finished basement			
Find the price for the total sq ft of attic as unfinished (1,400 Sq ft)	**$7,700**		
Add the finish to the unfinished (900 sq ft)	**$8,700**		
Total attic price	**$16,400**	**Answer**	**$16,400**

16. Determine a value for a subject property given the following information:

Subject: Frame Construction--4 rooms on 1st floor
Hot water heat--4 rooms on 2nd floor--2 car garage
2 bathrooms on 2nd floor-- Not located on water.

Sale # 1: Sold for $150,000--3 days ago--Brick--
4 1st floor rooms and 4 2nd floor rooms--Hot
water heat--1 second floor bathroom--3 car
garage--Located on the water

Sale # 2: Frame Construction--4 rooms on 1st floor
Hot water heat--4 rooms on 2nd floor--2 car garage
2 bathrooms on 2nd floor-- Not located on water.
Sold for $130,000 1 year ago

Sale # 3: Sold 2 years ago for $100,000--
Brick Construction--4 rooms on 1st floor
Forced Air heat--3 rooms on 2nd floor
1 2nd floor bathroom-- 2 car garage--
not located on the water

Properties have increased in value 6% per year.
Brick is worth $15,000 more than frame.
First floor rooms are worth $10,000
Hot water heat is worth $2000 more than forced air.
Second floor rooms are worth $8,000
Bathrooms have a value of $5,000
Garage bays are worth $4,000
Waterfront is worth $10,000 more than non waterfront.

	Sale 1	Sale 2	Sale 3	Subject
Sale Price	$150,000	$130,000	$100,000	
Date of Sale	Current	1 year ago	2 years ago	
Time Adjustment	**0**	**6% or $7,800**	**12% or $12,000**	
Time Adjusted Sale Price	**$150,000**	**$137,800**	**$112,000**	
Amenities				
Construction	**Brick ($15,000)**	Frame	**Brick ($15,000)**	Frame
1st Floor rooms	**4**	4	**4**	4
Heat	**Hot water**	Hot water	**Forced air +$2,000**	Hot water
2nd floor rooms	**4**	4	**3 +$8,000**	4
2nd floor bathrooms	**1 +$5,000**	2	**1 +$5,000**	2
Garage	**3 car ($4,000)**	2 car	2 car	2 car
Location	**Waterfront ($10,000)**	Not waterfront	Not waterfront	Not waterfront
Net Adjustment	**($24,000)**	**0**	**0**	
Adjusted sale price	**$126,000**	**$137,800**	**$112,000**	**$137,800**

17, 18, 19, and 20. Find the Median, Mode, COD, and PRD of the following.

You are provided with the following information:
Develop the Median, Mode, Mean, Weighted Mean, COD, and PRD

	Sale Price	Assessed Value	Sales Ratio	Median	ABS DEV
#1	$49,800	$45,800	0.920	0.974	0.054
#2	$52,400	$48,200	0.920	0.974	0.054
#3	$40,000	$42,200	1.055	0.974	0.081
#4	$55,000	$50,800	0.924	0.974	0.050
#5	$51,450	$55,300	1.075	0.974	0.101
#6	$110,100	$107,200	0.974	0.974	0.000
#7	$90,700	$87,500	0.965	0.974	0.009
#8	$86,100	$86,000	0.999	0.974	0.025
#9	$96,700	$96,700	1.000	0.974	0.026
	$632,250	$619,700			0.400
					0.044 Avg Abs Dev

Median	**0.974**
Mode	**0.920**
Mean	**0.981**
Weighted Mean	**0.980**
COD	**4.517**
PRD	**1.001**

17. Median
   a) .920 c) 1.001
   b) .974 d) .981

18. Mode
   a) .920 c) 1.001
   b) .974 d) .981

19. COD
   a) 9.81 c) 1.001
   b) .974 d) 4.563

20. PRD
   a) .920 c) 1.001
   b) .974 d) .981

21. In the sales comparison approach, attribute adjustments such as building size, # of bathrooms, year built are examples of _____.
   a. qualitative adjustments c. quantitative adjustments
   b. paired sales d. a buyers market

22. A corner doughnut shop has monthly income earned of $1,250. The owner's required rate of return for this type of property is 11% per year. What is the value of this property?
   a. $138,181 c. $1,650
   b. $11,364 d. $136,364

12 months X $1,250 15000
Rate = 11% $15,000/11%
$136,364

23. If an 18-unit apartment building has 4 vacant units, what is the occupancy rate?
   a. 78% c. 19%
   b. 22% d. 25%

18 units available
4 vacant
Leaves 14 occupied 14/18 = 78%

24. The sale price of a property divided by the annual effective gross income it generates is the _____.
   a. gross income multiplier c. gross rent multiplier
   b. neighborhood factor d. indicated value

25. The _____ rate reflects the return on the investment.
   a. recapture c. effective tax
   b. capitalization d. discount

26. A house has an attic of 2,500 sq. ft. Of which 1,280 is finished. What value would you put on the property record card for the attic?

Attics are in Appendix C, Book 1
Figure the same as a finished basement

Find the price for the total sq ft of attic as unfinished (2,500 Sq ft)	**$11,300**	
Add the finish to the unfinished (1,280 sq ft)	**$11,000**	
Total attic price	**$22,300**	**$22,300**

27. As taught in this Level I prep class, the first adjustment in the Sales Comparison Approach is for _____.
   a. bedrooms c. garages
   b. sale prices d. time

28. I am pricing a two-story dwelling that has air conditioning throughout. The dwelling has 1,900 square feet

on the first floor and 1,300 square feet on the second floor. What is the air conditioning adjustment amount?

First Floor	$3,800
Second Floor	$1,900
	$5,700

a. 5,500
b. 4,200
c. 4,100
d. 2,900

29. If my subject property has 5 bedrooms and my comparable has 4 bedrooms, when making the adjustment to the comparable this adjustment would be made _____.

a. downward
b. upward
c. no adjustment required
d. as a paired sales adjustment