

Table of Contents

Overview	xiii
Important Notes	xiv
Learning Enhancements	xiv
Classroom Guidelines	xvi
General Information	xvi
Recommended Texts	xvii
Prerequisites	xvii
Recommended Courses	xviii
Exam	xviii

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

Preview29
Introduction31
Graphing the Data in Graphic Analysis34
Curve Fit Analysis (Linear).....38
Curve Fit Analysis (Curvilinear)41
Power Curve Trend Line46
Digging Deeper49
Review53

SECTION 2

Part 3. Income Capitalization Approach for Leased Fee Interests

Preview55
Below-the-Line Expenses57
Leased Fee/Leasehold Valuation61
Property Rights Adjustment.....66
Relationship of Risk and Discount Rates.....71
Imperfection in the Market for Leased Fees74
Digging Deeper80
Review81
Review Quiz83

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

Preview87
The Small Group Process.....87
Case Study 1: Introduction.....91
Exercise 192
Review95

SECTION 3

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

Preview97
Exercise 299
Exercise 3100
Exercise 4101
Review103

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

Preview	105
Cost Approach Considerations for Leased Fee Interests.....	107
Sales Comparison Approach Considerations for Leased Fee Interests.....	112
Treatment of Property Rights in the Valuation Approaches for a Leased Fee Interest	114
Review	115
Review Quiz	117

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

Preview	119
Exercise 5	121
Exercise 6	122
Exercise 7	122
Review	123

SECTION 4

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

Preview	125
Evaluating Group Presentations.....	127
Case Study Wrap-up	128
Review	129

Part 9. Projecting Net Operating Income and Cash Flows

Preview	131
Common Errors in Treating CAM Expenses in a Net Operating Income Statement	133
Discounted Cash Flow Considerations	135
Review	139

Part 10. Case Study 2: Proposed Retail Property

Preview	141
Case Study 2: Introduction	143
Exercise 1	144
Review	147

Part 11. Proposed Project Valuation

Preview	149
Common Valuation Premises	151
Extraordinary Assumption Versus Hypothetical Condition.....	151
Changing Market Conditions	155
Typical Valuation Premises Timeline	156
Variations on Typical Valuation Premises Timeline	157
Review	159

SECTION 5

Part 12. Proposed Project Valuation, cont.

Preview	161
Allocation of Entrepreneurial Incentive in Proposed Project Valuation.....	163
Treatment of Entrepreneurial Incentive in the Valuation of a Proposed Project by DCF (Two Methods)	165
Rent-up Adjustment Concepts	169
Deriving the Rent-up Adjustment.....	170
Review	181
Review Quiz	183

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

Preview	185
Exercise 2	187
Exercise 3	188
Review	189

Part 14. Cost Approach for a Proposed Project

Preview	191
Entrepreneurial Incentive	193
Depreciation	196
Review	201

SECTION 6

Part 15. Sales Comparison Approach for a Proposed Project

Preview	203
Market Conditions Adjustments.....	205
Age/Condition Adjustments	206
Rent-up Adjustment.....	207
Review of Application of the Three Approaches to Value for a Proposed Project.....	207
Review	209
Review Quiz	211

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

Preview	215
Exercise 4	217
Exercise 5	217
Exercise 6	218
Review	219

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

Preview	221
Evaluating Group Presentations.....	223
Case Study Wrap-up	224
Review	225

SECTION 7

Part 18. Market Analysis for Apartment Properties

Preview	227
Apartment Demand	229
An Application of Fundamental Demand Analysis	232
Market Analysis Reconciliation.....	239
Review	241

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

Preview	243
Case Study 3: Introduction.....	245
Exercise 1	246
Exercise 2	247
Review	249

Part 20. Real Estate Cycles

Preview	251
Reasons for Analyzing and Projecting Real Estate Cycles	253
Four Stages of a Real Estate Cycle	253
Characteristics of a Market at Equilibrium.....	256
Lagging Market Reaction	260
Reflecting Cycles in Projections.....	262
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
Digging Deeper	353
Digging Deeper	359
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
Course Overview and Review by Instructors	381
In-Class Course Review Questions.....	381
Instructor and Course Evaluations	
Additional Review or Participant Self-Study	
Review	389

APPENDIX

Appendix A	393
Appendix B	401
Appendix C	413
Appendix D	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.

Presumably, this is your final course before taking the comprehensive examinations, so we have made it challenging—an attempt to review all that you have learned in the previous courses, to incorporate some lessons from your appraisal career to this point, and to introduce you to some high-level appraisal concepts. There are four case studies that require you to synthesize much of that learning.

Each case study 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.

On the last afternoon of the course, 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 scheduled for the morning after in-class course work is completed.

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 pass a diagnostic test in which the participant demonstrates his or her skill level in creating and working with spreadsheets.
- **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 21 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.
- **Fill-in-the-Blanks.** It is a proven 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. 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 know 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 classroom environment 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 2007.** 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 the morning session and two 10-minute breaks during the afternoon 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 during the morning and afternoon sessions.
- **Certificates of completion** will be e-mailed after completion of the course, and attendance during the entire course is required.

Recommended Texts

- *The Appraisal of Real Estate*, 14th 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*
- *Shopping Center Appraisal & Analysis*, 2nd ed.
- *The Valuation of Office Properties: A Contemporary Perspective*

Prerequisites

Required Courses or Their Equivalentents

- *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 Courses

- *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.