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SOLUTIONS

Overview

Seminar Description

How Tenants Create or Destroy Value: Leasehold Valuation and Its Impact on Value covers a topic not previously presented in an Appraisal Institute seminar. The purposes of the seminar are as follows:

- Explain the basic terminology associated with a leasehold
- Demonstrate how the terms of a tenant's lease impact value – either positively or negatively
- Describe the situations that require a valuation of a leasehold
- Explain methodologies to be employed in valuing a leasehold, including examples and exercises
- Explain the impact of a leasehold in the valuation of property using all applicable approaches
- Identify the challenges facing appraisers performing leasehold valuation assignments

The seminar was written for appraisers with all levels of experience. Beginner-level appraisers may be challenged by some parts of the seminar (e.g., yield capitalization) but should be familiar with most of the topics covered. Intermediate-level appraisers should be capable of understanding the vast majority of the material. Even more advanced appraisers will benefit from topics (e.g., use of Y_{LH} to measure a property rights adjustment) that they encounter infrequently. In addition, brokers, lenders, and other market participants who have a variety of background experiences and are directly or indirectly involved in the valuation of commercial real estate will find many of the topics very relevant to their professional practice.

The seminar goes beyond merely explaining the methodologies involved in a leasehold valuation assignment; for example, how to measure a property rights adjustment (sometimes, but not always, also the positive or negative value of the leasehold) and the theory underlying the use of a Y_{LH} to value the leasehold, as well as the application of a property rights adjustment in all three approaches.

Learning Enhancements

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

- **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 seminar. Look them over before the Part begins so that you have a frame of reference while moving through the material. At the end of each Part, read the objectives again. Are you able to do what is stated? If not, this is the time to ask your instructor for help or to review the concepts you do not understand.
- **Examples, Discussion Questions, Problems, and Exercises.** Supplementing the lectures, we've included examples, discussion questions, problems, and exercises to provide everyday illustrations and help you visualize and practice what you're learning.
- **Fill-in-the-Blanks.** It is proven 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 reviews the content.
- **Case Study.** The mini case study in the seminar contains an exercise that provides practical application of the extraction of yield rates for the subleasehold.
- **Review.** Each Part concludes with a review. Included in the review are the learning objectives and key terms and concepts that have been covered.
- **Suggested Solutions.** Answers to all of the exercises, problems, and discussion questions are provided behind the Solutions tab at the back of the handbook.

Classroom Guidelines

To make the learning environment a positive experience for everyone, please follow these guidelines:

- 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

- **Calculator.** A financial calculator is required. The accepted model used in the seminar is the HP-12C. Other calculators can be used if participants know how to operate them. No class time will be used to cover the operation of other calculators.
- **Breaks.** There will be two 10-minute breaks during the morning session and two 10-minute breaks during the afternoon session. The lunch break is one hour.
- Attendance sheets will be distributed during class to verify attendance during the morning and afternoon sessions.
- Certificates of completion may be downloaded upon completion of the seminar. Attendance for the entire seminar is required.

Recommended Texts

- *The Appraisal of Real Estate*, 14th edition. Chicago: Appraisal Institute, 2013.
- *The Dictionary of Real Estate Appraisal*, 6th edition. Chicago: Appraisal Institute, 2015.

USPAP References in This Course

All references to the Uniform Standards of Professional Appraisal Practice (USPAP) are taken from the 2020-2021 edition (Washington, D.C.: The Appraisal Foundation).