

The principle that states that a property is affected by the balance of the four agents of production: labor, capital, management, and land.

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The principle that property value is based on expectations or hopes of the future benefits of ownership.

1/64

Dollar worth as it appears on the owner's books, usually for tax purposes; also known as historic value.

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An estimate of value of particular property, at a particular time for a specified purpose.

2/64

Investment or value of real estate times the capitalization rate equals the annual net income of the real estate.

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The standard under which two unrelated parties, each acting in his or her own best interest, would carry out a particular transaction.

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The rate of interest appropriate to the investment risk as a return on the investment.

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The combining of smaller lots into one large parcel.

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The principle that when the net profit a property generates is excessive, strong competition will result.

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The principle that change is continually affecting land use and therefore continually altering value.

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Homogeneous use of land within a given area, which results in maximizing land value.

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**Actual age of an item.**

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**The amount of rent agreed to in a lease.**

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A property recently sold that is similar to a property being appraised by the market data approach.

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The principle that for any given part of a property, its value is the result of the contribution that part makes to the total value by being present, or the amount that it subtracts from total value as a result of its absence; used in comparative market analysis (CMA).

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**See market data method**

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A condition of property that exists when correction is physically possible and the cost of correction is less than the value increase.

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A step in appraisal in which the appraiser weighs the appraisal approaches to reach a rational conclusion as to the value of the subject property; also known as reconciliation.

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**Loss in value from any cause.**

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**Refers to past expenditures usually to produce or build something.**

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Loss in value caused by things such as changes in surrounding land use patterns and failure to adhere to the principle of highest and best use; considered incurable.

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An appraisal method whereby the cost of constructing a substitute structure is calculated, depreciation is deducted, and land value is added.

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**The amount of rent established by the market value of a property.**

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The method of estimating the current new construction cost of a building in which the cost new is determined by multiplying the total cubic feet in the building by the cost per cubic foot.

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Loss in value resulting from things such as faulty design, inadequacies, overadequacies, and equipment being out of date.

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The age of a property based on modernization, maintenance, etc.

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The upgrading of a neighborhood to a more affluent one by remodeling and upgrading the housing stock.

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The savings and loan bailout bill signed into law by President Bush in 1989.

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Total potential income less deductions for vacancy and credit losses plus other income.

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Expenditures such as property taxes, license fees, and property

27/64

A method of estimating the value of income property; also called gross income multiplier.

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Labor, capital, management, and land; part of the principle of balance.

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That which is not physically correctable or not economically practical to correct.

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The legally permissible, physically possible use that gives a property its highest value. Highest and best use is typically determined as if the land was vacant. In some instances, highest and best use "as improved" may need to be considered.

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The cost of replacing a structure completely destroyed by an insured hazard.

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The method of estimating the current new construction cost of a building in which the building's original cost is multiplied by a current cost factor.

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The value of a property to a specific purchaser.

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The primary method for estimating the value of properties that produce rental income; also called appraisal by capitalization.

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The primary method of estimating the value of vacant land and single-family, owner-occupied dwellings. Also called comparison approach.

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This appraisal principal acknowledges that the first improvements to a property will contribute in value an amount greater than their costs, but as the property is further improved, less and less of a return (value vs. cost) will be achieved.

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A report of receipts and disbursements resulting in net income of rental property.

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Also called economic rent, it is the rent that the property would bring if leases were written at today's rates.

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The increase in value derived from the assemblage (combining) of lots.

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A property's worth in terms of price agreed upon by a willing buyer and seller when neither is under any undue pressure and each is knowledgeable of market conditions at the time.

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The economic principle that states that the value of a less expensive property in an area is drawn up to the value of the more expensive properties in an area.

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Gross operating income minus operating expenses.

43/64

The detailed determination of the exact quantity of each type of material to be used in construction and the necessary material and labor costs applicable to each.

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Costs of operating a property held as an investment.

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A technique used to estimate the total cost of construction, in which the total number of square feet to be constructed is multiplied by a cost per square foot figure to derive total cost.

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The economic principle that states that the value of a more expensive property in an area is drawn to the value of the less expensive properties in an area.

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The principle providing that the highest value of a property has a tendency to be established by the cost of purchasing or constructing another property of equal utility and desirability provided that the substitution can be made without unusual delay.

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The amount of money required to replace a structure with another structure of comparable utility.

50/64

The principle stating that the greater the supply of any commodity in comparison to demand, the lower the value; conversely, the smaller the supply and the greater the demand, the higher the value.

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A fund to replace assets when they wear out.

51/64

The amount left over after labor, capital, and management have been satisfied. This amount is attributable to the land and illustrates the axiom that the value of the land is residual.

56/64

The amount of money required to build an exact duplicate of a structure.

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**Capable of  
serving a useful  
purpose.**

States that the land and building of a property that is in a transitional use must be valued as if in the same use. For instance, an appraiser appraising a house in an area that is transitioning to commercial uses cannot appraise the land as commercial and the structure as residential.

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**A projected rate of the  
percentage of rental units that  
will be vacant in a given year.**

**The ability to transfer  
property ownership from  
seller to buyer.**

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**Establishes an opinion of value utilizing  
an objective approach based on facts  
related to the property, such as age, square  
footage, location, cost to replace, and so  
on.**

**Technique used in appraising real  
estate under the cost approach, in  
which the cost of replacement or  
reproduction is grouped by stages of  
construction.**

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**Expenses of an income  
property that will vary with the  
occupancy level of the building  
and vary with the weather.**

**A set of standards created by the  
Appraisal Foundation that appraisers and  
their appraisals must meet in federally  
related financial transactions.**

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