January 2019 Level I
On-Line Review Test Questions

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?

A) 60%  
B) .50%  
C) 1%  
D) 10%

2. Business lot has a NOI monthly income of $1,000. The rate of return is 10%. What is the value of the property?

A) $10,000  
B) $12,000  
C) $130,000  
D) $120,000

3. NE 1/4, SE 1/4, NE 1/4 of section 5 has how many square feet?

A) 217,800  
B) 435,600  
C) 4,356,000  
D) 43,560

For question # 4 the following data is available, to develop an adjustment for time in the sales comparison approach.

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.

4. What is the time adjustment per month?

A) .9%  
B) 18%  
C) 1.8%  
D) .5%

5. Basement recreation room has 1,800 sq. ft. It has floor, ceiling, and wall finish. What is the cost to add for this room?

A) $4,700  
B) $11,800  
C) $7,600  
D) $10,400
Questions 6, 7, and 8 are based on the following information:

A building has 40,000 sq. ft. of gross building, of which only 39,000 sq. ft. is the net leasable area. Mkt. rent is $20 per sq. ft. for net leasable area. Vacancy and collection loss is 4% of the PGI. Miscellaneous income is $4,000.00. Operating expenses are 35% of the EGI. Debt service is projected to be 75% of the NOI.

6. What is the Potential Gross Income of this property?
   A) $800,000  
   B) $780,000  
   C) $680,000  
   D) $750,000

7. What is the Effective Gross Income of this property?
   A) $768,000  
   B) $752,800  
   C) $802,000  
   D) $643,000

8. What is the Net Operating Income of this property?
   A) $767,999  
   B) $489,320  
   C) $643,000  
   D) $780,000

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 miscellaneous income of $500.00 per month. Net leasable area is 14,000 sq. ft. What is the EGI for this property?
   A) $224,000  
   B) $216,560  
   C) $222,550  
   D) None of the above

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 $1,610 and the productivity factor is 1.10. Excess residential acreage is valued at $1,250 per acre. Homesites are valued at $6,000.00. What is the estimated value of this parcel rounded to the nearest $100.00?
    A) $20,900  
    B) $9,600  
    C) $2,400  
    D) $6,000

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?
    A) $94,700  
    B) $48,800  
    C) $36,600  
    D) None of the above

12. If the Quality Grade for a dwelling is a C+1, what is the appropriate Quality Grade Factor?
    A) 110%  
    B) 105%  
    C) 120%  
    D) 95%
13. The house in question 11 has an open framed porch of 550 sq. ft. What value would you put down for the porch?

A) $10,900  
B) $10,100  
C) $11,800  
D) $15,200

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?

A) $490,000  
B) $390,000  
C) $336,000  
D) $200,100

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?

A) $16,400  
B) $14,900  
C) $8,400  
D) $7,400
16. Using the following information determine a value for a subject property.

Subject: Frame Construction, 4 rooms on 1st floor, hot water heater, 4 rooms on the 2nd floor, 2 bathrooms on the 2nd floor, a 2 car garage, and not located on the water.

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

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

Sale # 3: Brick Construction, 4 rooms on the 1st floor, forced heat and air, 3 rooms on the 2nd floor, 1 second floor bathroom, 2 car garage, and not located on the water. Sold for $100,000 2 years ago.

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
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<tr>
<th>Sale 1</th>
<th>Sale 2</th>
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<th>Subject</th>
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16. What is the value determined for the subject property?

A) $137,800  
B) $112,000  
C) $126,000  
D) $125,266
17. To find the PRD, you divide the _______ by the Weighted Mean.

   A) Mean  C) Average Absolute Deviation
   B) Median D) Confidence Intervals

18. For uniformity purposes, the PRD must be between _____ and 1.03.

   A) .97   C) .05
   B) .90   D) .98

19. Subtracting Operating Expenses and Reserve for Replacements from the EGI equals the ________.

   A) PGI   C) Vacancy and Collection Loss
   B) NOI   D) Miscellaneous Income

20. What is known as the availability of commodities and/or services for purchase that sellers offer at a certain price?

   A) Market Value C) Supply
   B) Equilibrium D) Demand

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 NOI of $1,250. The owner's overall cap rate for the property is 11%. What is the value of this property?

A) $138,180  
B) $11,360  
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23. If an 18-unit apartment building has 4 vacant units, what is the occupancy rate?

A) 78%  
B) 22%  
C) 19%  
D) 25%

24. The sale price of a property divided by the annual effective gross income it generates is the _______.

A) gross income multiplier  
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25. The __________________ rate reflects the return on the investment.

A) recapture  
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26. What value would you put down for a 20' by 30' brick attached garage?

A) $9,200  
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27. As taught in this Level I prep class, the first adjustment in the Sales Comparison Approach is for ________________.

A) bedrooms  
B) sale prices  
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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?

A) $5,900  
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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  
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For problems 30 - 32, use the following information and sketch.

This one story brick house was built in 1995 in Parke County. It was built over an unfinished basement and has central air conditioning throughout. It also contains an attached brick garage and a wood deck. The quality grade for this dwelling is a C+1 and its condition rating is good.

30. What is the square footage for the first floor of the dwelling?

A) 400  
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31. What is the Replacement Cost (RCN) of the dwelling?

A) $155,170  
B) $160,000  
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32. What is the Improvement Value of the dwelling?

A) $152,600  
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<td>Garage</td>
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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.
\[
\text{Taxes} \quad \text{\$15,000} \quad \text{Divided by MV} \quad \text{\$3,000,000} \quad \text{Answer} \quad 0.50\%
\]

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 $V = I/R$ 
To get Income you multiply the per month of $1,000 times 12 to get the yearly NOI.
\[
V = \frac{\text{\$12,000}}{10.00\%} = \text{\$120,000}
\]

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 \quad 10 \quad 43560 \quad 43560 \quad \text{Answer} \quad \text{\$435,600}
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4. Sale #1 sold 1 yr. ago for $50,000 and 8 months ago for $53,600 
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What is the time adjustment per month?

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<th>Sale #</th>
<th>1st Sale</th>
<th>2nd Sale</th>
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<td>1.80%</td>
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<td>$2,808/$52,000</td>
<td>5.40%</td>
<td>3</td>
<td>1.80%</td>
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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 $11,800 
Answer $11,800

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.

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<td>V &amp; C Loss</td>
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<td>times</td>
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<td>($31,200)</td>
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<td></td>
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<td></td>
<td>$752,800</td>
<td>EGI</td>
<td>Answer # 7</td>
<td>$752,800</td>
</tr>
<tr>
<td>Exp.</td>
<td>35%</td>
<td>times</td>
<td>$752,800</td>
<td>($263,480)</td>
<td>Exp.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NOI</td>
<td></td>
<td></td>
<td></td>
<td>$489,320</td>
<td>NOI</td>
<td>Answer # 8</td>
<td>$489,320</td>
</tr>
</tbody>
</table>
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?

<table>
<thead>
<tr>
<th>PGI</th>
<th>14,000</th>
<th>16</th>
<th>$224,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>V &amp; C</td>
<td>0.06</td>
<td></td>
<td>($13,440)</td>
</tr>
<tr>
<td>Misc. Inc</td>
<td>$500/mo.</td>
<td>$6,000</td>
<td></td>
</tr>
</tbody>
</table>

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 $1,610 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?

<table>
<thead>
<tr>
<th>One acre</th>
<th>1</th>
<th>$6,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>homesite</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess acres</td>
<td>2</td>
<td>$2,500</td>
</tr>
<tr>
<td>Farm land</td>
<td>7</td>
<td>$12,400</td>
</tr>
<tr>
<td>Total acres</td>
<td>10</td>
<td>$20,900</td>
</tr>
</tbody>
</table>

Excess acres 1250 $1,250 2 $2,500
Farm land 1610 1.1 $1,771 7 $12,400

price $48,800 Answer $48,800 Rounded

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 $47,200
add for 1 increment of brick on 2nd floor $1,600
Total second floor $48,800 Answer $48,800

12. If the Quality Grade for a dwelling is a C+1, what is the appropriate Quality Grade Factor?

A) 110% C) 120% Appendix C, Schedule F.
B) 105% D) 95%
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 E.2, of Appendix C.

First 400 sq. ft. of OFP $11,400
We have 550 so -400 leaves 150 rounded is two (2) 100 ft. increments
2 times $1,900 for each increment equals $3,800

Answer $15,200

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.) $7,500
Add the finish to the unfinished (900 sq. ft.) $8,900

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
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.

<table>
<thead>
<tr>
<th>Sale</th>
<th>Date of Sale</th>
<th>Time Adjustment</th>
<th>Sale Price</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Current</td>
<td>0</td>
<td>$150,000</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>1 year ago</td>
<td>6% or $7,800</td>
<td>$137,800</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>2 years ago</td>
<td>12% or $12,000</td>
<td>$137,800</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amenities</th>
<th>Sale 1</th>
<th>Sale 2</th>
<th>Sale 3</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>Brick ($15,000)</td>
<td>Frame</td>
<td>Brick ($15,000)</td>
<td>Frame</td>
</tr>
<tr>
<td>1st Floor rooms</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Heat</td>
<td>Hot water</td>
<td>Hot water</td>
<td>Forced air +$2,000</td>
<td>Hot water</td>
</tr>
<tr>
<td>2nd floor rooms</td>
<td>4</td>
<td>4</td>
<td>3 +$8,000</td>
<td>4</td>
</tr>
<tr>
<td>2nd floor bathrooms</td>
<td>1 +$5,000</td>
<td>2</td>
<td>1 +$5,000</td>
<td>2</td>
</tr>
<tr>
<td>Garage</td>
<td>3 car ($4,000)</td>
<td>2 car</td>
<td>2 car</td>
<td>2 car</td>
</tr>
<tr>
<td>Location</td>
<td>Waterfront ($10,000)</td>
<td>Not waterfront</td>
<td>Not waterfront</td>
<td>Not waterfront</td>
</tr>
<tr>
<td>Net Adjustment</td>
<td>($24,000)</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Adjusted sale price</td>
<td>$126,000</td>
<td>$137,800</td>
<td>$112,000</td>
<td>$137,800</td>
</tr>
</tbody>
</table>
17. To find the PRD, you divide the __________ by the Weighted Mean.

A) Mean  C) Average Absolute Deviation
B) Median  D) Confidence Intervals

18. For uniformity purposes, the PRD must be between _______ and 1.03.

A) .97  C) .05
B) .90  D) .98

19. Subtracting Operating Expenses and Reserve for Replacements from the EGI equals the ________.

A) PGI  C) Vacancy and Collection Loss
B) NOI  D) Miscellaneous Income

20. The availability of commodities and/or services for purchase that sellers offer at a certain price is known as?

A) Market Value  C) Supply
B) Equilibrium  D) Demand

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. $138,180  c. $1,650
b. $11,360  d. $136,360

12 months  15000
X $1,250
Rate = 11%  $15,000
1%
Round

$136,360

23. If an 18-unit apartment building has 4 vacant units, what is the occupancy rate?

a. 78%  c. 19%
  18 units available
b. 22%  d. 25%
  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. What value would you put down for a 20' by 30' brick attached garage?
   A) $9,200  C) $16,700  20' X 30' = 600 sq. ft.
   B) $17,500  D) $25,600  App. C, $17,500

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
    First Floor $4,000
    Second Floor $1,900
    $5,900

a. 5,900  c. 6,900
b. 9,300  d. 8,200

29. If my subject property has 5 bedrooms and my comparable has 4 bedrooms, when making the adjustment to the comparable this adjustment would
   a. downward                 c. no adjustment required
   b. upward                   d. as a paired sales adjustment
For problems 30 - 32, use the following information and sketch.

This one story brick house was built in 1995 in Parke County. It was built over an unfinished basement and has central air conditioning throughout. It also contains an attached brick garage and a wood deck. The quality grade for this dwelling is a C+1 and its condition rating is good.

30. What is the square footage for the first floor of the dwelling?  
   A) 400  
   B) 1,925  
   C) 1,625  
   D) 1,225

   Cut dwelling into two pieces

   35 X 35 = 1,225 sq. ft.  
   20 X 20 = 400 sq. ft.  
   1,625 sq. ft.

31. What is the Replacement Cost (RCN) of the dwelling?  
   A) $155,170  
   B) $160,000  
   C) $164,120  
   D) $156,300

   Base Price 1st story: $108,900  
   Base Price Basement: $32,600  
   Subtotal: $141,500  
   Add for A/C: $3,500  
   Add for Att. Br Garage (300 sq. ft.): $10,600  
   Add Exterior Features (WDDK 200): $3,300  
   Subtotal: $158,900  
   Multiply by Quality Grade Factor: 105%  
   Subtotal: $166,850  
   Multiply by LCM: 93%  
   RCN: $155,170

   RCN = $155,170

32. What is the Improvement Value of the dwelling?  
   A) $152,600  
   B) $195,000  
   C) $250,000  
   D) $125,700

   RCN: $155,170

   Find depreciation in Appendix B  
   Quality C+1, Good Condition, 24 years old  
   Depreciation %: 19%

   Use either method mentioned in tutorials on how to calculate the Remainder Value.
<table>
<thead>
<tr>
<th>Method 1</th>
<th>Method 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCN: $155,170</td>
<td>RCN %: 100%</td>
</tr>
<tr>
<td>Multiply by Dep. %: 19%</td>
<td>Subtract Dep. %: 19%</td>
</tr>
<tr>
<td>Dep. $: $29,482</td>
<td>Value Left: 81%</td>
</tr>
<tr>
<td>Remainder Value $125,688</td>
<td>Remainder Value $125,690</td>
</tr>
</tbody>
</table>

Since there is no neighborhood factor, percent complete factor, or obsolescence; the Remainder Value is rounded to the nearest $100 to serve as the Improvement Value.

**Improvement Value = $125,700**