

**2022 Level I  
Review 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) \$12,900
- 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 \$1,290 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) \$18,400
- 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) \$53,800
- 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) \$17,200**

**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) \$17,600**

**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 1<sup>st</sup> floor, hot water heater, 4 rooms on the 2<sup>nd</sup> floor, 2 bathrooms on the 2<sup>nd</sup> 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 1<sup>st</sup> floor, hot water heat, 4 rooms on the 2<sup>nd</sup> floor, 2 car garage, 2 bathrooms on the 2<sup>nd</sup> floor, and not located on the water. Sold for \$130,000 1 year ago.

**Sale # 3:** Brick Construction, 4 rooms on the 1<sup>st</sup> floor, forced heat and air, 3 rooms on the 2<sup>nd</sup> 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

Waterfront is worth \$10,000 more than non waterfront.

	Sale 1	Sale 2	Sale 3	Subject
Sale Price				
Date of Sale	Current	1 year ago	2 years ago	
<i>Time Adjustment</i>				
<i>Time Adjusted Sale Price</i>				
<b>Amenities</b>				
Construction				Frame
1st Floor rooms				4
Heat				Hot water
2nd floor rooms				4
2nd floor bathrooms				2
Garage				2 car
Location				Not waterfront
Net Adjustment				
Adjusted sale price				

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
- B) Median
- C) Average Absolute Deviation
- D) Confidence Intervals

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

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

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

- A) PGI
- B) NOI
- C) Vacancy and Collection Loss
- 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
- B) Equilibrium
- C) Supply
- D) Demand

21. In the sales comparison approach, attribute adjustments such as building size, # of bathrooms, year built are examples of \_\_\_\_\_ ?

- A) qualitative adjustments
- B) paired sales
- C) quantitative adjustments
- 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
- C) \$1,650
- D) \$136,360

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
- B) neighborhood factor
- C) gross rent multiplier
- D) indicated value

25. The \_\_\_\_\_ rate reflects the return on the investment.

- A) recapture
- B) capitalization
- C) effective tax
- D) discount

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

- A) \$9,200
- B) \$19,400
- C) \$16,700
- D) \$25,600

27. As taught in this Level I prep class, the first adjustment in the Sales Comparison Approach is for \_\_\_\_\_.

- A) bedrooms
- B) sale prices
- C) garages
- D) time

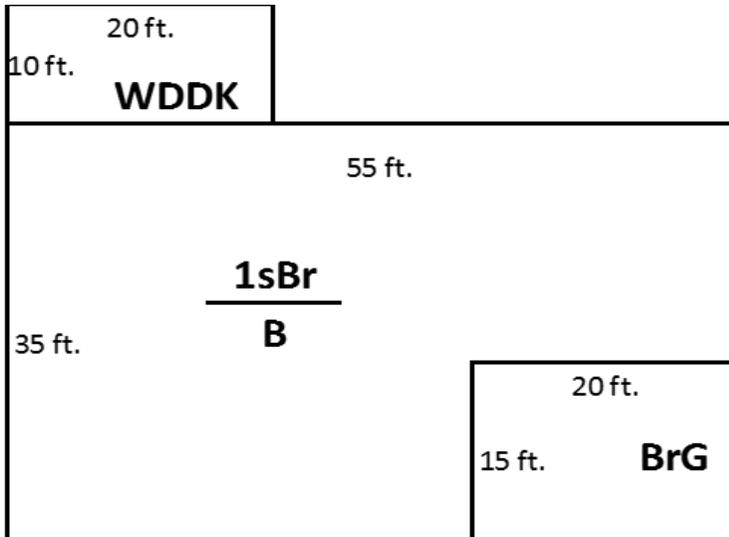
28. I am pricing a two-story dwelling that has air conditioning throughout. The dwelling has 1,900 square feet on the first floor and 1,300 square feet on the second floor. What is the air conditioning adjustment amount ?

- A) \$6,300
- B) \$9,300
- C) \$6,900
- 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 be made \_\_\_\_\_.

- A) downward
- B) upward
- C) no adjustment required
- D) as a paired sales adjustment

For problems 30 - 32, use the following information and sketch.



This one story brick house was built in 2000 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

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

- A) \$169,230
- B) \$160,000
- C) \$164,120
- D) \$156,300

32. What is the Improvement Value of the dwelling?

- A) \$152,600
- B) \$195,000
- C) \$250,000
- D) \$137,100



Questions 6, 7, and 8 are based on the following information:

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	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

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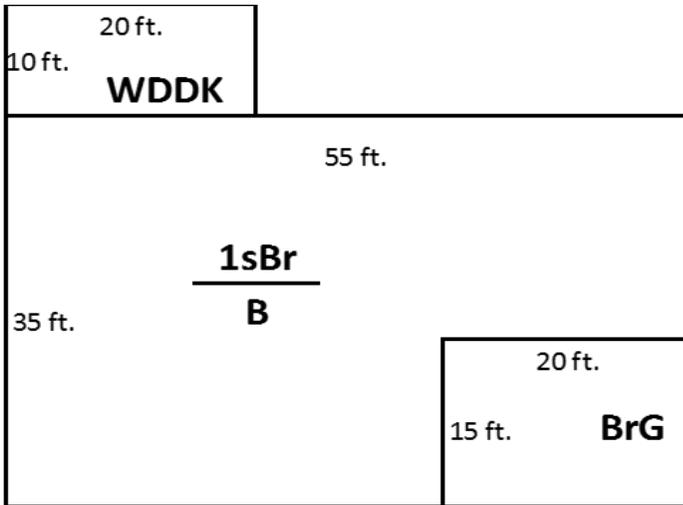
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B) \$160,000  
C) \$164,120  
D) \$156,300

32. What is the Improvement Value of the dwelling?

- A) \$152,600  
B) \$195,000  
C) \$250,000  
D) \$137,100

**2022 Level 1  
Review Questions and Answers Calculations**

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%
						<b>Answer</b>	<b>1.80%</b>

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 \$12,900**                      **Answer**                      **\$12,900**

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 \$1,290 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	\$9,930
<b>Total acres</b>	<b>10</b>	<b>\$18,430</b>

**Answer**                      **\$18,400**                      Rounded

**Excess acres**                      **\$1,250**                      **2**                      **\$2,500**

**Farm land price**                      **\$1,290**                      **1.1**                      **\$1,419**                      **7**                      **\$9,930**

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**                      **\$52,200**

**add for 1 increment of brick on 2nd floor**                      **\$1,600**

**Total second floor**                      **\$53,800**                      **Answer**                      **\$53,800**

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**                      **\$12,800**

**We have 550 so -400 leaves 150 rounded is two (2) 100 ft increments**

**2 times \$2,200 for each increment equals**                      **\$4,400**

**Total porch value**                      **\$17,200**                      **Answer**                      **\$17,200**

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**

**Always start with the shell value and add how much extra the finish costs**

**Find the price for the total sq ft of attic as unfinished (1,400 Sq ft - Unfin Attic)**                      **\$7,600**

**Add the finish to the unfinished (900 sq ft - Attic Fin)**                      **\$10,000**

**Total attic price**                      **\$17,600**                      **Answer**                      **\$17,600**

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. To find the PRD, you divide the \_\_\_\_\_ by the Weighted Mean.

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

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

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

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

- A) PGI  
B) NOI  
C) Vacancy and Collection Loss  
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  
B) Equilibrium  
C) Supply  
D) Demand

21. In the sales comparison approach, attribute adjustments such as building size, # of bathrooms, year built are examples of \_\_\_\_\_.

- a. qualitative adjustments  
b. paired sales  
c. quantitative adjustments  
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  
b. \$11,360  
c. \$1,650  
d. \$136,360
- 12 months X \$1,250 = 15000  
Rate = 11% =  $\frac{15,000}{11\%}$   
Round = \$136,360

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

- a. 78%  
b. 22%  
c. 19%  
d. 25%
- 18 units available  
4 vacant  
Leaves 14 occupied =  $\frac{14}{18} = 78\%$

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

- a. gross income multiplier  
b. neighborhood factor  
c. gross rent multiplier  
d. indicated value

25. The \_\_\_\_\_ rate reflects the return on the investment.

- a. recapture  
b. capitalization  
c. effective tax  
d. discount

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

- A) \$9,200  
B) \$19,400  
C) \$16,700  
D) \$25,600
- 20' X 30' = 600 sq. ft.  
App. C, Page 7 = \$19,400

27. As taught in this Level I prep class, the first adjustment in the Sales Comparison Approach is for \_\_\_\_\_.

- a. bedrooms  
b. sale prices  
c. garages  
d. time

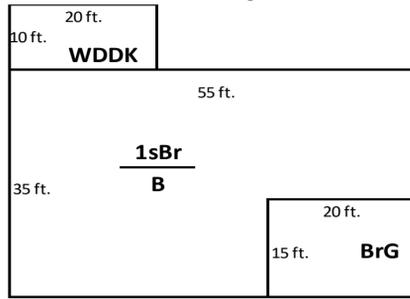
28. I am pricing a two-story dwelling that has air conditioning throughout. The dwelling has 1,900 square feet on the first floor and 1,300 square feet on the second floor. What is the air conditioning adjustment amount?

- a. 6,300  
b. 9,300  
c. 6,900  
d. 8,200
- Second Floor = \$2,000  
\$2,000

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

For problems 30 - 32, use the following information and sketch.



This one story brick house was built in 2000 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  
 $35 \times 35 = 1,225 \text{ sq. ft.}$   
 $20 \times 20 = 400 \text{ sq. ft.}$   
1,625 sq. ft.

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

- A) \$169,230  
B) \$160,000  
C) \$164,120  
D) \$156,300

Base Price 1st story: \$118,500  
 Base Price Basement: \$35,900  
 Subtotal: \$154,400  
 Add for A/C: \$3,800  
 Add for Att. Br Garage (300 sq ft): \$11,600  
 Add Exterior Features (WDDK 200 sq ft): \$3,500  
 Subtotal: \$173,300  
 Multiply by Quality Grade Factor: 105%  
 Subtotal: \$181,970  
 Multiply by LCM: 93%  
 RCN: \$169,230

RCN = \$169,230

32. What is the Improvement Value of the dwelling?

- A) \$152,600  
B) \$195,000  
C) \$250,000  
D) \$137,100

RCN: \$169,230

Find depreciation in Appendix B  
 Quality C+1, Good Condition, 22 years old  
 Depreciation %: 19%

Use either method mentioned in tutorials on how to calculate the Remainder Value

**Method 1**  
 RCN: \$169,230  
 Multiply by Dep. %: 19%  
 Dep. \$: \$32,154  
 RCN: \$169,230  
 Subtract Dep. \$: \$32,154  
 Remainder Value: \$137,076

**Method 2**  
 RCN %: 100%  
 Subtract Dep. %: 19%  
 Value Left: 81%  
 RCN: \$169,230  
 Multiply by Value Left: 81%  
 Remainder Value: \$137,080

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 = \$137,100

