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Real Estate Essentials  
Chapter 18 & 19

Name \_\_\_\_\_

1. An appraiser is responsible for
  - a. finding value.
  - b. computing value.
  - c. determining value.
  - d. estimating value.
  
2. Zoning ordinances normally define specific uses for land that are permitted within a municipality. Which of the following is NOT a designated use in the ordinances?
  - a. Industrial
  - b. Commercial
  - c. Residential
  - d. Rental
  
3. Which of the following best describes the purpose of a building permit?
  - a. The method for overriding or substantiating deed restrictions
  - b. The municipal control over the volume of construction
  - c. The evidence of compliance with municipal regulations
  - d. The method of regulating the area and size of buildings
  
4. Before the government can exercise its right of eminent domain, the use of the property must be
  - a. a public use for which the property owner will be fairly compensated.
  - b. established for the health, safety, and welfare of the government.
  - c. a local use that will benefit the residents in the immediate area.
  - d. established as a fee simple determinable estate for a particular use.
  
5. In the income approach, the appraiser makes use of
  - a. reproduction cost.
  - b. capitalization rate.
  - c. depreciation schedules.
  - d. replacement cost.
  
6. A house with outmoded plumbing is suffering from
  - a. functional obsolescence.
  - b. curable physical deterioration.
  - c. incurable physical deterioration.
  - d. external depreciation.

7. To find the value of a property using the income approach to value, if the net operating income and the capitalization rate were known, the appraiser would
    - a. multiply the net operating income by the capitalization rate.
    - b. multiply the effective gross income by the capitalization rate.
    - c. divide the net operating income by the capitalization rate.
    - d. divide the capitalization rate by the net operating income.
  
  8. If the buyer of a vacant lot builds a house that violates the restrictions in his or her deed, the buyer may
    - a. forfeit the title to the property.
    - b. be sued and required to alter the structure to conform with the restrictions.
    - c. be sued and required to pay damages to the other residents in the neighborhood.
    - d. do so without any fear of reprisal by the residents in the area.
  
  9. A subdivider or developer who fails to comply with the requirements of the Interstate Land Sales Full Disclosure Act may be
    - a. subject to criminal penalties of fines and imprisonment.
    - b. ordered to cease and desist work on the project.
    - c. sanctioned and blacklisted by lenders in the area.
    - d. unable to secure FHA-insured and VA-guaranteed loans.
  
  10. In a new subdivision, streets, curbs, and sidewalks are usually provided by the
    - a. municipality.
    - b. property owners.
    - c. developer.
    - d. state.
  
  11. A tire company has a manufacturing plant located in an area that has just been rezoned for residential use. The company is allowed to continue operating the plant under the new zoning classification. However, if the plant is destroyed by fire or other hazard, the tire company
    - a. may not construct another plant in the neighborhood without first applying for a zoning variance.
    - b. may not construct another plant in the neighborhood under any circumstances.
    - c. may construct another plant if it obtains the consent of the residents then living in the neighborhood.
    - d. may construct another plant without the residents' consent as long as the homeowners' association approves it.
  
  12. The term depreciation refers to the
    - a. value of real estate after the expiration of its useful life.
    - b. loss of value in real estate from any cause.
    - c. costs incurred to renovate or modernize a building.
    - d. capitalized value of lost rental income.
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13. Restrictive covenants that run with the land
    - a. are no longer effective when the title is transferred.
    - b. apply only until the developer has conveyed the title.
    - c. can be removed by a court of competent jurisdiction.
    - d. apply to and bind all successive owners of the property.
  
  14. In the valuation of a large apartment complex, the most weight would be given to which of the following approaches to value?
    - a. The cost approach
    - b. The income approach
    - c. The sales comparison approach
    - d. All approaches equally weighted
  
  15. A conveyance that includes a condition controlling or limiting the use of the property conveyed is an example of
    - a. the need for competent legal advice.
    - b. a deed restriction.
    - c. the need for a zoning appeal.
    - d. a zoning variance.
  
  16. A residential developer's deed restrictions would NOT include
    - a. easements in gross for the installation of public utilities.
    - b. an agreement NOT to sell without the consent of the neighbors.
    - c. the minimum square-footage for any home to be built in the subdivision.
    - d. a reference to the use of community facilities by residents only.
  
  17. The purpose of building permits is to
    - a. generate revenue for the municipality.
    - b. control the activities of building inspectors.
    - c. ensure compliance with building codes.
    - d. prevent encroachments.
  
  18. The market price of real estate is generally the same as
    - a. the sales price.
    - b. the market value.
    - c. the highest and best use.
    - d. the assessed value.
  
  19. The period of time over which an improvement to the property will contribute to its value is known as its
    - a. amortized life.
    - b. chronological life.
    - c. actual life.
    - d. economic life.
  
  20. Which of the following is NOT a characteristics of value?
    - a. Scarcity
    - b. Transferability
    - c. Obsolescence
    - d. Utility
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21. An appraiser has been employed to estimate the market value of a parcel of vacant land. The resulting appraisal report would NOT include reference to
  - a. the highest and best use of the parcel.
  - b. the listed price of the parcel.
  - c. the most probable price the parcel will bring.
  - d. the physical dimensions of the parcel.
  
22. The purchaser of a property in a planned unit development will usually NOT receive
  - a. an interest in the unit owners' association.
  - b. a proprietary lease for the unit to be occupied.
  - c. the title to the land on which the unit is built.
  - d. a share in the control of the commonly-owned elements.
  
23. When appraising a commercial property, the appraiser is most concerned with the
  - a. accrued depreciation on the property.
  - b. income generated by the property.
  - c. sales prices of comparable properties.
  - d. total debt service on the property.
  
24. In the cost approach, an appraiser uses which of the following?
  - a. Sales prices of similar properties
  - b. The owner's original cost of construction
  - c. An estimate of the building's replacement cost
  - d. The property's depreciated value as used for income tax purposes
  
25. When estimating the value of property using the cost approach, all of the following would be considered by the appraiser EXCEPT the
  - a. loss of value due to uncollected delinquent rent.
  - b. estimated loss attributable to an outdated heating system.
  - c. quality of materials and workmanship in the original structure.
  - d. excessive amount of traffic noise outside the property.
  
26. The purpose of bulk zoning is to
  - a. ensure that certain kinds of uses are incorporated into developments.
  - b. specify certain types of architecture for new buildings.
  - c. control density and avoid overcrowding.
  - d. set overall development goals for the community.
  
27. Which of the following is a variance?
  - a. An exception to a zoning ordinance
  - b. A court order prohibiting certain activities
  - c. A reversion of ownership
  - d. A nullification of an easement
  
28. Deed restrictions are a means by which
  - a. local zoning laws are enforced.
  - b. the planning commission controls developers.
  - c. municipalities enforce building restrictions.
  - d. grantors control the future use of the ownership.

29. Which of the following would be classified as external depreciation?
  - a. A leaking roof that needs to be completely replaced
  - b. Poorly-maintained properties in the neighborhood
  - c. A poorly-designed floor plan that could be modified
  - d. Convenient access to schools and recreational facilities
  
30. A 4 bedroom house with 1 bathroom for today's standards would be considered to be
  - a. physically obsolete.
  - b. functionally obsolete.
  - c. economically obsolete.
  - d. diminished.
  
31. A municipality establishes development goals through its
  - a. subdivision regulations.
  - b. restrictive covenants.
  - c. environmental regulations.
  - d. comprehensive plan.
  
32. When appraising real estate, the first consideration of the appraiser should be the
  - a. asking price of the property.
  - b. highest and best use of the property.
  - c. original cost of the property.
  - d. selling prices of similar properties.
  
33. The owner constructed a building that is 7 stories high. Several years later the municipality changed the zoning ordinance, prohibiting buildings that exceed 6 stories in height. Which of the following is true regarding the existing 7 story building?
  - a. It is a nonconforming use.
  - b. The building must be demolished.
  - c. It is a conditional use.
  - d. The owner must obtain a variance.
  
34. The income approach as used by an appraiser makes use of which of the following?
  - a. Equalization
  - b. Depreciation
  - c. Appreciation
  - d. Capitalization
  
35. Which of the following is NOT an example of police power?
  - a. Zoning ordinances
  - b. Building codes
  - c. Restrictive covenants
  - d. City planning requirements
  
36. Deed restrictions are NOT created by which of the following?
  - a. Deed
  - b. Statute
  - c. Written agreement
  - d. General plan of a subdivision

37. Control by local ordinances does NOT regulate
  - a. the height of buildings in an area.
  - b. the density of population.
  - c. the use of the property.
  - d. the price of the property.
38. The sales comparison approach to value would be most important when estimating the value of a(n)
  - a. existing residence.
  - b. apartment building.
  - c. retail location.
  - d. new residence.
39. Deed restrictions CANNOT legally restrict
  - a. sizes and types of structures to be built.
  - b. potential future uses of the properties.
  - c. future owners and occupants of the properties.
  - d. exterior finish and decoration of the structures.
40. The gross rent multiplier is used as a guideline for estimating value based on
  - a. the ratio of the gross rents to the net rents after expenses.
  - b. the proportion of rents due to the actual rents collected.
  - c. the capitalization of the annual gross rental income.
  - d. the relationship of the sales prices to the rental income.
41. In an old retail building, which of the following would most likely be a cause of incurable functional obsolescence?
  - a. Deficient and inadequate lighting
  - b. Closely-spaced internal support columns
  - c. An unattractive store front
  - d. A decrease in the area's population
42. Which of the following would be considered specific data?
  - a. The dimensions of the subject property
  - b. The employment opportunities in the area
  - c. The sales data for comparable properties
  - d. The gross rent multipliers for the area
43. A development company owned property that the city wanted so that it could extend the runways at the municipal airport. If the company refuses to negotiate with the city, then the city may acquire the property by
  - a. escheat.
  - b. accretion.
  - c. confiscation.
  - d. eminent domain.

44. Q is in the business of buying tracts of land, constructing buildings and making other improvements on them, and then selling them to the general public. She is in the business as a(n)
  - a. developer.
  - b. real estate broker.
  - c. engineer.
  - d. subdivider.
  
45. The primary intent of zoning ordinances is to
  - a. ensure the health, safety, and welfare of the community.
  - b. demonstrate the police power of the state.
  - c. limit the amount and types of businesses in a given area.
  - d. protect residential neighborhoods from commercial encroachment.
  
46. Reconciliation is an appraisal term used to describe
  - a. the appraiser's determination of a property's highest value.
  - b. an average of real estate values for properties similar to the subject property.
  - c. the appraiser's analysis and comparison of the results of each appraisal approach.
  - d. the method used to determine the most appropriate capitalization rate for a property.
  
47. Under an existing ordinance no signs may be placed on a building that extends more than 3 feet above the highest point of the roof. An owner wants to erect a 9 foot high revolving sign on the roof of his store. In order to legally do this, the owner must get a
  - a. deed to the air rights.
  - b. variance.
  - c. nonconforming use permit.
  - d. court order.
  
48. In the cost approach to value, the appraiser makes use of
  - a. the owner's original cost of the building.
  - b. the estimated replacement cost of the building.
  - c. the sales prices of similar buildings in the area.
  - d. the assessed value of the building.
  
49. Using which of the following would require the value of the land to be calculated separately from the value of the improvements?
  - a. The income approach
  - b. The cost approach
  - c. The sales comparison approach
  - d. The gross rent multiplier
  
50. An appraiser has been hired to prepare an appraisal on a property that includes an elegant old mansion that is now used as an insurance company office. Which approach to value would the appraiser rely on most?
  - a. Income approach
  - b. Gross rent multiplier approach
  - c. Sales comparison approach
  - d. Replacement cost approach

51. The construction of a family room, additional bedroom and extra bath has been completed on the owner's home. Before the addition can be used, which of the following is true?
  - a. The municipality must issue a building permit.
  - b. The bath must be inspected by the plumbing inspector.
  - c. The municipality must issue an occupancy permit.
  - d. The municipality must issue a conditional-use permit.
  
52. In the appraisal of an office building, which of the following would be classified as external depreciation?
  - a. Termite damage to the structural components of the building
  - b. A poor architectural design resulting in a cluttered floor plan
  - c. An inadequate number of elevators and antiquated restroom facilities
  - d. A law requiring the building to be retrofitted with fire sprinklers.
  
53. The income approach to value would be most important in the appraisal of a(n)
  - a. condominium.
  - b. office building.
  - c. single-family residence.
  - d. vacant residential lot.
  
54. Defined as a loss in value from any cause, depreciation is generally divided into three categories. The loss of value due to the normal wear and tear on a property is called
  - a. external depreciation.
  - b. physical depreciation.
  - c. functional obsolescence.
  - d. economic deterioration.
  
55. The purpose of an appraisal is to
  - a. estimate the value of a property.
  - b. set the market price of a property.
  - c. determine the projected income of a property.
  - d. set the amount of consideration the seller should accept from a purchaser.
  
56. Reconciliation is best described as
  - a. selecting the highest value given by the three approaches to value.
  - b. comparing comparable properties and identifying their amenities.
  - c. determining the final value by selecting one value from those given.
  - d. analyzing the results obtained from the three approaches to value.
  
57. The steps in the appraisal process do NOT include
  - a. gathering specific data on the subject property.
  - b. gathering general data for the area of the subject property.
  - c. considering the seller's estimate of the property's value.
  - d. applying the three approaches to value to the collected data.

58. The condemnation of private property for public use is made possible by the right of
- police power.
  - escheat.
  - eminent domain.
  - confiscation.
59. An appraiser who is using the sales comparison approach to value would NOT use which of the following similar homes as a comparable properties? One that was
- sold over six months ago.
  - sold recently but is located in another similar neighborhood.
  - sold by the owners who were undergoing a foreclosure.
  - sold recently but is located on a much larger lot.
60. For the past 30 years, the Ls have operated a neighborhood grocery store. Last week the city council passed a zoning ordinance that prohibits packaged food sales in the area where the Ls' grocery store is located. The store is now an example of a(n)
- illegal enterprise.
  - nonconforming use.
  - violation of the zoning laws.
  - variance of the zoning laws.
61. A building is valued at \$215,000 and contains 4 apartments that rent for \$470 each per month. The owner estimates that the net operating income is 65 percent of the gross rental receipts. What is the capitalization rate?
- 3.7 percent
  - 6.8 percent
  - 10.5 percent
  - 14.2 percent
62. In a new subdivision, streets, curbs, and sidewalks are usually required by the
- municipality.
  - property owners.
  - developer.
  - state.
63. A subdivision was developed, and one of the deed restrictions covering all of the properties in the subdivision set aside the back six feet of each parcel as a combination green belt area and bicycle path. Homeowner U plans to convert the back one-half of her yard into an organic garden. Her neighbors can
- do nothing because individual homeowners have no authority in this matter.
  - go to court in an attempt to obtain injunctive relief.
  - force homeowner U to sell her property.
  - share in the profits from U's garden.

64. In the income approach, which of the following is NOT considered when calculating the net operating income?
- Real estate taxes
  - Management fees
  - Debt service
  - Utilities
65. What cost would NOT be included as part of the development costs of a lot?
- Curbs and gutters
  - The purchase price of the land
  - Site grading
  - Sanitary sewer installation
66. The expression "more buildings are torn down than fall down" refers to
- curable physical deterioration.
  - incurable physical deterioration.
  - the enforcement of building codes.
  - functional and external depreciation.
67. When planning a subdivision, the developer should determine the kinds of land uses to be involved and the amounts of land to be allocated to each use by considering
- which are the most profitable types of buildings to construct.
  - his or her concepts for what is considered as an ideal development.
  - the application of the economic principle of highest and best use.
  - the customs of the area and what other developers have already done.
68. Legislation designed to convert residential zoning into conservation or recreational purposes
- is usually supported by all of the residents of a given area so that the majority rules.
  - may be found by the courts to be a "taking" without the payment of just compensation to the property owner.
  - generally is supported by special interest groups whose power might be greater than that of the courts.
  - may be found to be an excessive use of police power by the courts and therefore ruled as unconstitutional.
69. P is in the business of buying large tracts of land and then re-selling them to consumers in small tracts. He is in the business as a(n)
- developer.
  - real estate broker.
  - engineer.
  - subdivider.

70. It is necessary to calculate a dollar value for depreciation when using which of the following?
- The sales comparison approach to value
  - The cost approach to value
  - The income approach to value
  - Cross rent multipliers
71. According to the Interstate Land Sales Full Disclosure Act, if the property report is NOT given to the prospective purchaser at least three days before the contract is signed,
- the purchaser may revoke the contract, at his or her option, up to midnight of the seventh calendar day following the signing of the contract.
  - the purchaser may revoke the contract up to two years following the signing of the contract.
  - the subdivider or developer must see that the purchaser receives the report within two years of the signing of the contract.
  - the subdivider or developer must see that the property report is delivered to the purchaser before any construction is started on the property.
72. In a widely-publicized dispute, H refused to sell his land to the local school district. He believed that the price the school district offered him for the land was not sufficient consideration. If the school district were to pursue the matter in court, what legal proceeding would it institute to force H to sell his land to them?
- Escheat
  - Foreclosure
  - Probate
  - Condemnation