INCOME PROPERTY VALUATION
REA 1950

Class Hours: 3.0    Credit Hours: 3.0
Laboratory Hours: 0.0    Date Revised: Fall 05

NOTE: This course is not designed for transfer credit.

Catalog Course Description:

This course introduces the student to the concepts and techniques used in the appraisal of income-producing real estate. It begins with basic definitions and an examination of the nature of money. The course then examines the various techniques and methodologies associated with income analysis, including both theory and illustrative examples. Students will complete an appraisal of an income-producing property and report the results using form, narrative and oral formats as part of the course.

Entry Level Standards:

College level math skills

Corequisite:

REA 1850 or equivalent

Textbook(s) and Other Course Materials:

Income Property Valuation, 2nd Edition Jeffrey D. Fisher & Robert S. Martin, Dearborn Real Estate Education

I. Week/Unit/Topic Basis:

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
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| 1    | Introduction and Basic Principles  
Definitions  
Valuation Principles  
USPAP  
Highest & Best Use  
The Appraisal Process |
| 2    | The Nature of Money I  
Compounding & Discounting Theory  
Income Analysis Mathematics  
The Six Functions of a Dollar  
The Nature of Money II  
The Six Functions of a Dollar (cont)  
Cash-flow Forecasting  
Investment Return Calculations |
| 3    | Financial Analysis  
Definitions  
Balance Sheets |
Income & Expense Statements
Financial Instruments
Leveraging & Other Tools

4
Income Capitalization I
Definitions
Capitalization Rates
Types of Income & Expenses
Income Stream Analysis
Residual Theory
Income Capitalization II
Forecasting Income
Estimating Expenses
Vacancy & Collection Loss
Reversion
Capitalization Techniques

5
The Sales Comparison Approach
Exam #1 (50 minutes)
Data Sources & Collection
Definition of Unit Value Measures
Adjustment Techniques
Reconciliation

6
The Cost Approach
Reproduction vs. Replacement Cost
Data Sources & Collection
Site Valuation
Depreciation
Structuring the Cost Calculation

7
Leased Fee and Leasehold Valuation
Definitions
Elements of a Lease
Leased Fee Analysis
Leasehold Analysis

8
Income Property Analysis I
Acquisition
Operations
Disposition

9
Income Property Analysis II
Discounted Cash Flow Analysis
Mortgage Equity Technique

10
Income Property Analysis III
Income Multipliers
Special Properties
Non-typical Mortgage Financing

11
Other Topics I
Exam #2 (50 minutes)
Form Reports
Narrative Reports
Income Property Appraisal Assignments
II. Course Objectives*:

A. Discuss the theories applicable to the appraisal of income-producing real estate. I, II

B. Discuss the techniques applicable to the appraisal of income-producing real estate. I, II

*Roman numerals after course objectives reference goals of the Business and Community Services department.

III. Instructional Processes*:

Students will:

1. Take part in course assignments such as team discussions; team case studies; team projects; experiential exercises; oral, written, PowerPoint, and/or email presentations; Internet research; etc. to help develop teamwork, leadership, and follower-ship skills. Communication Outcome, Social/Behavioral Sciences Outcome, Technological Literacy Outcome, Transitional Strategy, Active Learning Strategy

2. Perform course assignments such as team discussions; team case studies; team projects; experiential exercises; oral, written, PowerPoint, and/or email presentation; Internet research; etc. to help develop critical thinking, problem solving, goal setting, and planning skills. Communication Outcome, Social/Behavioral Sciences Outcome, Technological Literacy Outcome, Transitional Strategy, Active Learning Strategy

3. Practice elements of the work ethic such as professionalism, preparedness, punctuality, honesty, cooperation, dependability, contribution, effectiveness, and good manners. Transitional Strategy

*Strategies and outcomes listed after instructional processes reference TBR’s goals for strengthening general education knowledge and skills, connecting coursework to experiences beyond the classroom, and encouraging students to take active and responsible roles in the educational process.

IV. Expectations for Student Performance*:

Upon successful completion of this course, the student should be able to:

1. Define and discuss the nature of money. A, B
2. Apply capitalization techniques to income streams. A, B
3. Evaluate financial statements & instruments. A, B
4. Conduct time-flow analysis of income streams. A, B
5. Appraise an income-producing property. A, B
6. Prepare form and narrative appraisal reports. A, B
7. Deliver an oral appraisal report. A, B

*Letters after performance expectations reference the course objectives listed above.

V. Evaluation:

A. Testing Procedures:

   Two exams worth 10% of grade (each)
   Final exam worth 40% of grade

B. Laboratory Expectations:

   N/A

C. Field Work:

   Appraisal Assignment worth 40% of grade

D. Other Evaluation Methods:

   N/A

E. Grading Scale:

   90 - 100   A
   80 - 89    B
   70 - 79    C
   60 - 69    D
   Below 60   F

VI. Policies:

A. Attendance Policy:

   Pellissippi State Community College expects students to attend all scheduled instructional activities. As a minimum, students in all courses must be present for at least 75 percent of their scheduled class and laboratory meetings in order to receive credit for the course.

   **Licensing/Education Credit Limitation:** Students desiring to use this course to meet education requirements of the Tennessee Real Estate Appraisers Commission for licensing purposes must attend all class meetings and must receive a passing grade for the course. If a class is missed due to unavoidable circumstances, the student may arrange, with the permission of the instructor, to make-up the missed class at another time convenient to both the student and the instructor. A student who does not desire to use the course for licensing or education credit needs not make-up a missed class.
B. Accommodations for disabilities:

Students who need accommodations because of a disability, have emergency medical information to share, or need special arrangements in case the building must be evacuated should inform the instructor immediately, privately after class or in her or his office. Students must present a current accommodation plan from a staff member in Services for Students with Disabilities (SSWD) in order to receive accommodations in this course. Services for Students with Disabilities may be contacted by going to Goins 127, 132, 134, 135, 131 or by phone: 539-7153 or TTY 694-6429. More information is available at www.pstcc.edu/departments/swd/.