NATIONAL / GENERAL WORKBOOK

Property Value and Appraisal Texas Real Estate Exam Study Guide and Practice Workbook

Appraisal questions test the meaning of value, the appraisal process, and when to use the sales comparison, cost, or income approach. They also test CMA and BPO distinctions.

11	13.8%	15	14
SCORED EXAM ITEMS	OF THE NATIONAL PORTION	ORIGINAL QUESTIONS	ACTIVE RECALL CHECKS

Study rule
Choose the valuation method before doing arithmetic. The property type and the reason for the valuation usually identify the right approach.

Reviewed September 24, 2026 | Version 3.0 | Original Pass Texas study material

START HERE

How to use this workbook

1. Read the blueprint and say the study rule aloud.
2. Learn the vocabulary as distinctions, not isolated definitions.
3. Work every recall check without looking at the answer.
4. Complete the 15-question checkpoint closed-book.
5. Turn every miss into one written rule and retest it after 24 hours.

Official blueprint	**Vocabulary**
Exam traps	**Recall drills**
Practice checkpoint	**Answer workshop**
Official sources	**Next actions**

Companion lesson · Free topic practice

Original, hypothetical practice questions. National questions teach general principles; a Texas example is not a nationwide rule. Follow the jurisdiction and facts stated in each question.

OFFICIAL BLUEPRINT

What Pearson VUE tests

Appraisal questions test the meaning of value, the appraisal process, and when to use the sales comparison, cost, or income approach. They also test CMA and BPO distinctions.

- Market value versus market price, characteristics of value, and principles of value
- Purpose and steps of an appraisal, plus federal appraisal oversight
- Sales comparison, cost, income, depreciation, reproduction and replacement cost, GRM, and GIM
- Comparative market analysis, broker price opinion, assessed value, and tax implications

> **Practice target**
> Aim to explain the rule behind every answer, including correct guesses. An 80 percent practice target is Pass Texas study guidance, not an official booking requirement or a prediction of passing. This small question set is a checkpoint, not full coverage of the outline.

LANGUAGE OF THE EXAM

Essential vocabulary

TERM	EXAM-READY MEANING
Market value	The most probable price under the conditions stated in the definition of value.
Highest and best use	The legally permitted, physically possible, financially feasible use that produces the greatest value.
Sales comparison approach	An approach that compares the subject with recently sold comparable properties.
Cost approach	Land value plus replacement or reproduction cost, less depreciation.
Income approach	An approach that converts a property's income into an indication of value.
Depreciation	Loss in value from physical, functional, or external causes.
Net operating income	Effective gross income minus operating expenses, before debt service and income taxes.
DUST	Demand, utility, scarcity, and transferability, the four elements commonly used to remember value.
Reconciliation	Weighing relevant evidence to reach a supported value opinion, with any weighted average explained.
Broker price opinion	A license holder's written estimate of sale price, lawful only under the Occupations Code Section 1103.004(a)(2) exemption.
Appraised value	Tax Code Section 1.04(8): the value determined under Chapter 23; a qualifying homestead may be limited by Section 23.23(a).
External obsolescence	Loss in value from a cause outside the property line. Generally incurable.
Appraisal Subcommittee (ASC)	The federal body that oversees state appraiser and appraisal-management-company regulatory programs.
Appraiser Qualifications Board (AQB)	The board of The Appraisal Foundation that establishes minimum appraiser qualification criteria.
Appraisal Standards Board (ASB)	The board of The Appraisal Foundation that develops and updates USPAP.

DECISION QUALITY

Common traps and the rule that fixes each one

Trap 1
Market price is what was paid. Market value is an opinion under stated market conditions.

Trap 2
In the sales comparison approach, adjust the comparable, not the subject.

Trap 3
External obsolescence comes from outside the property line and is generally incurable.

Trap 4
Calling a CMA an appraisal breaks the Occupations Code Section 1103.004(a)(2) exemption. The word decides it, not the math.

Trap 5
Reconciliation weighs the evidence by relevance and reliability. A supported, explained weighted average can be appropriate; an unexplained arithmetic average is not.

ACTIVE RETRIEVAL

Recall drills

Cover each answer, respond in one sentence, then compare your rule with the model answer.

1. What are the three elements a Texas CMA needs to stay outside the Appraiser Act?

Not called an appraisal, given in the ordinary course of business, and tied to acquiring, disposing of, encumbering, or managing property. Occupations Code Section 1103.004(a)(2).

2. Market value, appraised value, assessed value: which is capped for a homestead?

Appraised value. Tax Code Section 23.23(a) limits the annual rise to 10 percent plus new improvements.

3. Does an appraiser average the three approaches?

Do not simply average the indications. Reconciliation weighs relevance and reliability; a properly explained weighted average can be used.

4. Which body provides federal oversight of state appraiser programs?

The Appraisal Subcommittee. The AQB sets minimum qualification criteria, the ASB develops USPAP, and TALCB licenses and regulates Texas appraisers.

5. How must the Texas CMA statement appear?

Verbatim, as part of the written analysis, in at least 12-point font. 22 TAC Section 535.17(c).

6. Value, price, or cost: which is what the builder spent?

Cost. Price is what was paid; value is an estimate of worth under stated conditions.

7. Which approach is usually strongest for a typical owner-occupied home?

The sales comparison approach.

8. Which approach starts with land value and construction cost?

The cost approach. Land itself is never depreciated.

9. Does NOI subtract mortgage payments?

No. Debt service is not an operating expense in the standard exam formula.

10. As of what date does a Texas appraisal district value property?

January 1. Tax Code Section 23.01(a), and mass appraisal must comply with USPAP under 23.01(b).

11. When is a license holder obligated to provide a BPO or CMA?

When negotiating a listing, or offering to buy the property for their own account after contact made as an agent. 22 TAC Section 535.16(c).

12. Which depreciation type is generally incurable?

External obsolescence, because its cause is outside the property line.

13. If the cap rate rises, what happens to value?

Value falls. Rate is the denominator in the IRV relationship.

14. Reproduction cost or replacement cost: which uses current design and materials?

Replacement cost. Reproduction cost estimates an exact replica.

CLOSED-BOOK CHECKPOINT

15 original exam-style questions

Directions
Choose one answer for every question. Mark uncertain answers with a star. Score certainty and correctness separately.

QUESTION 1 | VALUE & APPRAISAL

1. An owner-occupied home is in a neighborhood with several recent sales of genuinely similar homes. Which approach is likely to provide the strongest direct market evidence?

A. The cost approach alone
B. Direct income capitalization
C. A gross rent multiplier
D. The sales comparison approach

QUESTION 2 | VALUE & APPRAISAL

2. A comparable sold for $360,000. It has a pool that the subject lacks. Market evidence supports a $15,000 contribution for that pool. With no other differences, what is the adjusted comparable price?

A. $345,000
B. $375,000
C. $360,000
D. $15,000

QUESTION 3 | VALUE & APPRAISAL

3. A recently built fire station has few comparable sales and no meaningful rental evidence. Reliable land and construction-cost data are available. Which approach is especially useful?

A. Direct income capitalization
B. A gross rent multiplier
C. The cost approach
D. A residential rental comparison

QUESTION 4 | VALUE & APPRAISAL

4. An income property's stabilized annual net operating income is $60,000. A supported capitalization rate is 8 percent. Using direct capitalization, what value is indicated?

A. $480,000

B. $750,000

C. $4,800

D. $7,500,000

QUESTION 5 | VALUE & APPRAISAL

5. A home is well maintained, but reaching one bedroom requires walking through another. Buyers pay less because of that layout. What type of depreciation does this illustrate?

A. Physical deterioration

B. External obsolescence

C. Land depreciation for income tax

D. Functional obsolescence

QUESTION 6 | VALUE & APPRAISAL

6. A nearby landfill reduces what buyers will pay for an otherwise sound home. The homeowner cannot remove or control the landfill. How is the loss classified?

A. External obsolescence

B. Functional obsolescence

C. Physical deterioration

D. Straight-line tax depreciation

QUESTION 7 | VALUE & APPRAISAL

7. Which figure describes market value rather than market price, construction cost or an asking price?

A. The actual amount paid in a particular transaction

B. The probable price under defined open-market conditions

C. The current expenditure needed to rebuild the property

D. The amount the owner hopes to receive from a buyer

QUESTION 8 | VALUE & APPRAISAL

8. A warehouse would be physically possible and profitable on a site, but zoning prohibits it and no zoning change is reasonably probable. Which highest-and-best-use test does the proposal fail?

A. Physical possibility

B. Financial feasibility

C. Legal permissibility

D. Maximum productivity

QUESTION 9 | VALUE & APPRAISAL

9. Which body provides federal oversight of state appraiser and appraisal-management-company regulatory programs?

A. The Appraisal Subcommittee (ASC)

B. The Appraiser Qualifications Board (AQB)

C. The Appraisal Standards Board (ASB)

D. The Texas Real Estate Commission (TREC)

QUESTION 10 | VALUE & APPRAISAL

10. A rental's monthly market rent is $2,000. Comparable sales support a monthly gross rent multiplier of 120. What value does this multiplier indicate?

A. $24,000

B. $120,000

C. $2,880,000

D. $240,000

QUESTION 11 | VALUE & APPRAISAL

11. Three applicable approaches indicate different values. The sales evidence is strong, but the income assumptions are less reliable. What should guide the appraiser's final reconciliation?

A. Giving each result equal weight without further analysis

B. Choosing whichever result reaches the contract price

C. Weighing the relevance and reliability of the evidence

D. Selecting the highest result to protect the owner's equity

QUESTION 12 | VALUE & APPRAISAL

12. The appraiser has identified the problem and set the scope of work. Which step belongs before final reconciliation?

A. Commit to the seller's requested figure

B. Verify data and develop relevant approaches

C. Issue the report before inspecting the evidence

D. Set value at the requested loan balance

QUESTION 13 | VALUE & APPRAISAL

13. Two available homes offer buyers equivalent utility and desirability, with no meaningful difference in purchase timing. Why would the less expensive one limit what buyers pay for the other?

A. The principle of substitution

B. The principle of anticipation

C. The principle of progression

D. The principle of contribution

QUESTION 14 | VALUE & APPRAISAL

14. Land value is $100,000. Replacement cost new of the improvements is $300,000, with $60,000 of accrued depreciation. What is the cost-approach indication?

A. $240,000

B. $400,000

C. $460,000

D. $340,000

QUESTION 15 | VALUE & APPRAISAL

15. Market evidence shows that a modest home benefits from its location among similar but higher-valued homes. What principle describes that upward influence?

A. Regression

B. Contribution

C. Progression

D. Anticipation

ANSWER WORKSHOP

Reasoning, traps and source cues

Read the explanation even when your answer was correct. A correct guess is not yet a mastered rule.

1 D. The sales comparison approach

Recent, relevant sales let the appraiser compare what buyers paid for similar properties. That supports the sales comparison approach here. It does not mean an appraiser must ignore other approaches needed for a credible result.

> **Common trap:** Match the approach to the evidence, not just a slogan such as 'every house uses one method.'

Rule: Sales comparison approach; selection of relevant evidence

Check the source: California DRE: general appraisal concepts (not Texas law); Fannie Mae: cost and income approaches

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2 A. $345,000

Subtract the superior feature's market-supported contribution from the comparable: $360,000 minus $15,000 = $345,000. In this comparison, you adjust the comparable to the subject, not the other way around. The adjustment is not automatically what the pool cost to build.

> **Common trap:** Comparable better, subtract. Comparable worse, add. Use the market adjustment stated in the question.

Rule: Sales comparison approach; direction and support of adjustments

Check the source: Fannie Mae: market-supported comparable adjustments

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3 C. The cost approach

The cost approach can use the available land and construction evidence when sales and income evidence are thin. Its usefulness still depends on credible costs, land value and depreciation estimates. 'Special purpose' does not make construction cost equal market value.

> **Common trap:** Choose the method the facts can support, rather than forcing a rental formula onto a non-rental property.

Rule: Cost approach; special-purpose property

Check the source: California DRE: general appraisal concepts (not Texas law)

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4 **B. $750,000**

Value = annual NOI divided by the cap rate: $60,000 ÷ 0.08 = $750,000. This is a direct-capitalization indication under the stated assumptions, not a complete appraisal by itself. NOI is before debt service, so do not subtract mortgage payments from the supplied NOI.

> **Common trap:** Use 0.08, not 8. Multiplying by the rate answers a different question.

Rule: Income approach; direct capitalization and annual net operating income

Check the source: Federal banking agencies: direct capitalization, Appendix 3

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5 **D. Functional obsolescence**

The loss comes from the home's layout rather than wear or a condition outside the property. That is functional obsolescence. Whether a redesign would be economically worth doing is a separate question.

> **Common trap:** A property can be in excellent physical condition and still have a design problem.

Rule: Depreciation; functional obsolescence

Check the source: Fannie Mae: cost and income approaches

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6 **A. External obsolescence**

The cause is outside the property, so the loss is external, or economic, obsolescence. It is generally treated as incurable by this owner. That does not mean the outside condition must last forever or that the market can never recover.

> **Common trap:** Classify the cause of the loss. An off-site nuisance is not wear to the building.

Rule: Depreciation; external obsolescence

Check the source: California DRE: general appraisal concepts (not Texas law)

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7 **B. The probable price under defined open-market conditions**

Market value is an opinion tied to stated sale conditions and an effective date. Those conditions include informed, typically motivated parties and reasonable market exposure. A recorded sale price is evidence to analyze, not an automatic value conclusion.

> **Common trap:** A price can be observed. Whether it represents market value requires checking the transaction's circumstances.

Rule: 12 CFR 34.42(h); market value versus market price

Check the source: 12 CFR 34.42(h): market value

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8 **C. Legal permissibility**

Profit cannot overcome the stated legal restriction. Highest and best use must satisfy legal permissibility, physical possibility, financial feasibility and maximum productivity. All four matter.

> **Common trap:** The most profitable imagined use is not necessarily the highest and best use.

Rule: Highest and best use; four tests

Check the source: California DRE: general appraisal concepts (not Texas law)

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9 **A. The Appraisal Subcommittee (ASC)**

ASC oversees state regulatory programs under the federal framework. AQB sets minimum qualification criteria, while ASB develops USPAP. These are different responsibilities, not interchangeable names for the same licensing office.

> **Common trap:** Match each name to its job: oversight, qualifications or standards.

Rule: 12 U.S.C. 3332; federal appraisal oversight

Check the source: Appraisal Subcommittee: federal oversight; The Appraisal Foundation: ASB and AQB responsibilities

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10 **D. $240,000**

Multiply the monthly rent by the monthly multiplier: $2,000 × 120 = $240,000. Do not annualize the rent while retaining a monthly multiplier. GRM uses gross rent, so it does not separately account for operating expenses or financing.

> **Common trap:** Gross rent is not NOI. Match the period and the income measure to the formula.

Rule: Income approach; gross rent multiplier

Check the source: California DRE: general appraisal concepts (not Texas law)

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11 **C. Weighing the relevance and reliability of the evidence**

Reconciliation explains which evidence deserves the most weight. It is not an unexplained arithmetic average. Fannie Mae's guidance permits a properly explained weighted-average technique, so 'an appraiser may never use any averaging' is too broad.

> **Common trap:** The reasoning behind the weights matters more than whether a calculation happens to use an average.

Rule: Appraisal process; reconciliation

Check the source: Fannie Mae: valuation analysis and reconciliation

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12 B. Verify data and develop relevant approaches

The value opinion follows the analysis. The appraiser gathers and verifies relevant information, considers the property's use and develops the approaches needed for credible results. The scope controls the work; a target price does not.

> **Common trap:** Reconciliation comes after the evidence is developed, not before it.

Rule: Appraisal process; scope, analysis and reporting

Check the source: California DRE: general appraisal concepts (not Texas law); Fannie Mae: valuation analysis and reconciliation

13 A. The principle of substitution

Substitution explains why a buyer compares a property with an equally desirable available alternative. It supports sales comparison. The alternatives need not be identical, but a genuinely different benefit can justify a price difference.

> **Common trap:** An asking price for a non-comparable property does not establish a ceiling by itself.

Rule: Principles of value; substitution

Check the source: California DRE: general appraisal concepts (not Texas law)

14 D. $340,000

First find the depreciated improvements: $300,000 minus $60,000 = $240,000. Then add the $100,000 land value to get $340,000. The deduction here applies to the improvements, not to the land value.

> **Common trap:** Do not omit the land, add depreciation or use the owner's original construction bill as today's cost new.

Rule: Cost approach; land plus depreciated improvements

Check the source: California DRE: general appraisal concepts (not Texas law); Fannie Mae: cost and income approaches

15 C. Progression

Progression describes the upward influence on the lower-valued property. Regression describes the opposite effect on a higher-valued property among lower-valued alternatives. These are market relationships, not promises that every property will gain or lose a fixed amount.

> **Common trap:** Follow the direction of the influence on the subject home.

Rule: Principles of value; progression and regression

Check the source: California DRE: general appraisal concepts (not Texas law)

BUILD RETENTION

Your miss log and next actions

QUESTION	RULE I MISSED	WHY I MISSED IT	RETEST DATE

LEARN THE CONCEPT

www.passtexasrealestate.com/study-guide/property-value-appraisal/cheat-sheet

PRACTICE THIS TOPIC

www.passtexasrealestate.com/practice-questions/property-value-appraisal

SOURCE REGISTER

Sources and edition notes

Edition reviewed September 24, 2026 against the exam outline and rules effective September 23, 2026. References include controlling authorities and supporting explanations. For a changing rule, form or appointment policy, check the current official source.

SOURCE	DIRECT LINK
Pearson VUE Texas Real Estate Content Outlines	www.pearsonvue.com/content/dam/VUE/vue/en/documents/publications/094401.pdf
California DRE: general appraisal concepts (not Texas law)	www.dre.ca.gov/files/pdf/refbook/ref15.pdf
Fannie Mae: market-supported comparable adjustments	selling-guide.fanniemae.com/sel/b4-1.3-09/adjustments-comparable-sales
Fannie Mae: cost and income approaches	selling-guide.fanniemae.com/sel/b4-1.3-10/cost-and-income-approach-value
Fannie Mae: valuation analysis and reconciliation	selling-guide.fanniemae.com/sel/b4-1.3-11/valuation-analysis-and-reconciliation
12 CFR 34.42(h): market value	www.law.cornell.edu/cfr/text/12/34.42
Federal banking agencies: direct capitalization, Appendix 3	www.occ.gov/news-issuances/federal-register/2023/88fr43115.pdf
Appraisal Subcommittee: federal oversight	asc.gov/about
The Appraisal Foundation: ASB and AQB responsibilities	appraisalfoundation.org/pages/what-we-do
Texas Occupations Code 1103.004: estimated-price exemption	tcss.legis.texas.gov/resources/OC/htm/OC.1103.htm#1103.004
TREC Rule 535.17: BPOs, CMAs and price estimates	www.trec.texas.gov/node/634#section535.17
Texas Tax Code 1.04: market, appraised, assessed and taxable value	tcss.legis.texas.gov/resources/TX/htm/TX.1.htm#1.04
Texas Tax Code 23.0101: considering appraisal methods	tcss.legis.texas.gov/resources/TX/htm/TX.23.htm#23.0101
Texas Comptroller: residence-homestead appraisal limitation	comptroller.texas.gov/taxes/property-tax/valuing-property.php
Texas Tax Code 23.23: residence-homestead limitation	tcss.legis.texas.gov/resources/TX/htm/TX.23.htm#23.23
Pearson VUE Texas Real Estate Candidate Handbook #094400, September 2026, revision 08/2026	www.pearsonvue.com/content/dam/VUE/vue/en/documents/publications/094400.pdf
Texas Real Estate Commission rules and laws	www.trec.texas.gov/agency-information/rules-and-laws

Maintenance record

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PUT ONE RULE INTO PRACTICE

Make your next study session count

Choose a rule you missed, explain it without notes, then try a different question. Use the free topic links in this guide, or continue in Pass Texas.

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