# Property Value and Appraisal Exam Cheat Sheet

National / General | 11 scored items | about 9% of all scored items

**STUDY RULE**

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

## What Pearson Tests

- Market value, market price, highest and best use, and the principles and elements of value
- Sales comparison, cost, and income approaches, including depreciation and multipliers
- Appraisal, comparative market analysis, broker price opinion, assessed value, and tax implications

## Exam Traps

- Market price is what was paid. Market value is an opinion under stated market conditions.
- In the sales comparison approach, adjust the comparable, not the subject.
- Physical deterioration, functional obsolescence, and external obsolescence describe different causes of lost value.

## Essential Vocabulary

- 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.

## Recall Check

- Which approach is usually strongest for a typical owner-occupied home? Answer: The sales comparison approach.
- Which approach starts with land value and construction cost? Answer: The cost approach.
- Does NOI subtract mortgage payments? Answer: No. Debt service is not an operating expense in the standard exam formula.

## My Miss Log

Write the rule you missed, then schedule the next rep.