
Graduate Certificate in Land Economics and Property Valuation

Property Valuation Techniques

Absolute Rent is the minimum amount of rent that a property owner can accept, it is the lowest amount that will cover the costs of owning the property, Absolute Rent is an important concept in property valuation as it helps to determine the value of a property, for example, if the absolute rent of a property is \$1000 per month, the property owner will not accept any offer below this amount, Absolute Rent is calculated by considering the costs of owning the property, such as maintenance costs, insurance costs, and taxes, it is an important concept in property valuation as it helps to determine the value of a property, Absolute Rent is used in the cost approach to property valuation, which involves estimating the value of a property by calculating the cost of replacing or reproducing it.

Abstract of Title is a document that summarizes the history of ownership of a property, it is a record of all the transactions related to the property, including sales, mortgages, and transfers of ownership, Abstract of Title is an important document in property valuation as it helps to establish the ownership of a property and to identify any encumbrances or liens on the property, for example, if a property has a mortgage on it, the abstract of title will show the details of the mortgage, including the amount borrowed and the interest rate, Abstract of Title is used in the verification process of property ownership and is an important document in property valuation.

Acceleration Clause is a provision in a mortgage or loan agreement that allows the lender to demand payment of the entire outstanding balance if the borrower fails to make payments on time, it is a clause that accelerates the payment of the loan, for example, if a borrower misses a payment, the lender can invoke the acceleration clause and demand payment of the entire loan, Acceleration Clause is an important concept in property valuation as it can affect the value of a property, for example, if a property has a mortgage with an acceleration clause, it may be more risky for an investor to purchase the property.

Accretion is the process of growth or increase in the value of a property over time, it is the result of changes in the market or economy that cause the value of the property to increase, for example, if a property is located in an area that is experiencing rapid growth and development, the value of the property may increase over time due to accretion, Accretion is an important concept in property valuation as it can affect the value of a property, for example, if a property is expected to appreciate in value over time, it may be more valuable to an investor.

Acknowledgment is the act of recognizing or confirming the validity of a document or transaction, it is a statement or declaration that a document or transaction is genuine or authentic, for example, if a buyer and seller sign a contract for the sale of a property, they are acknowledging the terms of the contract and confirming that they are bound by its provisions, Acknowledgment is an important concept in property

valuation as it helps to establish the validity of a transaction and to confirm the ownership of a property.

Ad Valorem Tax is a type of tax that is levied on the value of a property, it is a tax that is based on the value of the property, for example, if a property is valued at \$100,000, the ad valorem tax on the property may be 1% of its value, which would be \$1,000, Ad Valorem Tax is an important concept in property valuation as it can affect the value of a property, for example, if a property is located in an area with high ad valorem taxes, it may be less desirable to an investor.

Adjustment is the process of changing or modifying a value or amount to reflect a change in circumstances or conditions, it is a revision or update of a value or amount to reflect new information or circumstances, for example, if a property is valued at \$100,000 and the market value of the property increases by 10%, the value of the property may be adjusted to \$110,000 to reflect the change in the market, Adjustment is an important concept in property valuation as it helps to ensure that the value of a property is accurate and up-to-date.

Appraisal is the process of determining the value of a property, it is an opinion or estimate of the value of a property, for example, if a property is valued at \$100,000 by an appraiser, this means that the appraiser believes that the property is worth \$100,000 based on its characteristics and the market conditions, Appraisal is an important concept in property valuation as it helps to establish the value of a property and to determine its worth, for example, if a property is being sold, the appraisal can help to determine the selling price of the property.

Appreciation is the process of increase in the value of a property over time, it is the result of changes in the market or economy that cause the value of the property to increase, for example, if a property is located in an area that is experiencing rapid growth and development, the value of the property may appreciate over time due to increased demand and limited supply, Appreciation is an important concept in property valuation as it can affect the value of a property, for example, if a property is expected to appreciate in value over time, it may be more valuable to an investor.

Assessment is the process of determining the value of a property for taxation purposes, it is an opinion or estimate of the value of a property, for example, if a property is assessed at \$100,000 for taxation purposes, this means that the tax authority believes that the property is worth \$100,000 based on its characteristics and the market conditions, Assessment is an important concept in property valuation as it helps to establish the value of a property and to determine the amount of tax that is owed on the property.

Assignment is the process of transferring or assigning the rights or interests in a property to another party, it is a transfer of ownership or control of a property, for example, if a buyer assigns the rights to a property to a third party, the third party acquires the rights and interests in the property, Assignment is an important concept in property valuation as it can affect the value of a property, for example, if a property is assigned to a new owner, the value of the property may change due to the change in ownership.

Assumable Mortgage is a type of mortgage that can be assumed or taken over by a new borrower, it is a mortgage that allows a new borrower to assume the obligations of the original borrower, for example, if a property has an assumable mortgage, a new buyer can assume the mortgage and take over the payments, Assumable Mortgage is an important concept in property valuation as it can affect the value of a property, for example, if a property has an assumable mortgage, it may be more attractive to a buyer because the buyer can assume the mortgage and avoid the costs of obtaining a new mortgage.

Attorn is the process of transferring or assigning the rights or interests in a property to a landlord or lessor, it is a transfer of ownership or control of a property, for example, if a tenant attorns to a landlord, the landlord acquires the rights and interests in the property, Attorn is an important concept in property valuation as it can affect the value of a property, for example, if a property is attorned to a new landlord, the value of the property may change due to the change in ownership or control.

Average Annual Rate is the rate of return on an investment over a period of one year, it is a measure of the performance of an investment, for example, if an investment has an average annual rate of return of 10%, this means that the investment has earned an average of 10% per year over the period of the investment, Average Annual Rate is an important concept in property valuation as it helps to evaluate the performance of a property investment, for example, if a property has an average annual rate of return of 12%, it may be a more attractive investment than a property with an average annual rate of return of 8%.

Beneficial Interest is the interest or benefit that a party has in a property, it is the right or entitlement to enjoy the benefits of a property, for example, if a buyer has a beneficial interest in a property, the buyer has the right to enjoy the benefits of the property, such as rental income or capital appreciation, Beneficial Interest is an important concept in property valuation as it helps to determine the value of a property, for example, if a property has a high beneficial interest, it may be more valuable to an investor.

Betterment is the process of improving or enhancing a property, it is the act of making a property more valuable or desirable, for example, if a property owner renovates a property, the owner is bettering the property, Betterment is an important concept in property valuation as it can affect the value of a property, for example, if a property is bettered through renovations or improvements, its value may increase.

Capital Asset is a type of asset that is held for investment or speculation, it is a property or asset that is expected to appreciate in value over time, for example, if a property is purchased as a capital asset, the buyer expects the property to appreciate in value over time, Capital Asset is an important concept in property valuation as it helps to determine the value of a property, for example, if a property is a capital asset, its value may be higher than if it were not a capital asset.

Capital Expenditure is a type of expenditure that is made to improve or enhance a property, it is a payment or outlay that is made to increase the value of a property, for example, if a property owner spends \$10,000 to renovate a property, the \$10,000 is a capital expenditure, Capital Expenditure is an important concept in property valuation as it can affect the value of a property, for example, if a property has a high capital

expenditure, its value may be higher than if it had a low capital expenditure.

Capital Gain is the profit or gain that is realized from the sale of a property, it is the difference between the selling price of a property and its original purchase price, for example, if a property is purchased for \$100,000 and sold for \$150,000, the capital gain is \$50,000, Capital Gain is an important concept in property valuation as it helps to determine the value of a property, for example, if a property has a high capital gain, it may be more valuable to an investor.

Capital Improvement is a type of improvement that is made to a property, it is a change or addition that is made to a property to increase its value or usefulness, for example, if a property owner adds a new room to a property, the new room is a capital improvement, Capital Improvement is an important concept in property valuation as it can affect the value of a property, for example, if a property has a high capital improvement, its value may be higher than if it had a low capital improvement.

Cash Flow is the inflow or outflow of cash from a property, it is the amount of cash that is generated by a property, for example, if a property generates \$10,000 per year in rental income, the cash flow is \$10,000 per year, Cash Flow is an important concept in property valuation as it helps to determine the value of a property, for example, if a property has a high cash flow, it may be more valuable to an investor.

Certified General Appraiser is a type of appraiser who is certified to appraise all types of properties, it is a professional who has met the requirements for certification as a general appraiser, for example, if an appraiser is certified as a general appraiser, the appraiser can appraise any type of property, Certified General Appraiser is an important concept in property valuation as it helps to ensure that appraisals are accurate and reliable.

Certified Residential Appraiser is a type of appraiser who is certified to appraise residential properties, it is a professional who has met the requirements for certification as a residential appraiser, for example, if an appraiser is certified as a residential appraiser, the appraiser can appraise residential properties, Certified Residential Appraiser is an important concept in property valuation as it helps to ensure that appraisals are accurate and reliable.

Chain of Title is the record of ownership of a property, it is the sequence of transfers of ownership of a property, for example, if a property has a chain of title that shows the ownership of the property has been transferred from one owner to another, the chain of title is the record of those transfers, Chain of Title is an important concept in property valuation as it helps to establish the ownership of a property.

Clear Title is a type of title that is free from any encumbrances or liens, it is a title that is marketable and can be transferred to a new owner, for example, if a property has a clear title, the property can be sold or transferred to a new owner without any problems or delays, Clear Title is an important concept in property valuation as it helps to establish the value of a property, for example, if a property has a clear title, it may be more valuable to an investor.

Comparative Market Analysis is a type of analysis that is used to determine the value of a property, it is a comparison of the features and characteristics of a property with those of similar properties in the area, for example, if a property is being appraised, a comparative market analysis may be used to determine its value, Comparative Market Analysis is an important concept in property valuation as it helps to establish the value of a property.

Condemnation is the process of taking or seizing a property for public use, it is the act of condemning a property for a public purpose, such as the construction of a road or bridge, for example, if a property is condemned for the construction of a new highway, the property owner may be entitled to compensation for the loss of the property, Condemnation is an important concept in property valuation as it can affect the value of a property, for example, if a property is located in an area that is prone to condemnation, its value may be lower than if it were not.

Conditional Sale is a type of sale that is subject to certain conditions or contingencies, it is a sale that is dependent on the fulfillment of certain requirements or conditions, for example, if a property is being sold subject to the approval of a mortgage, the sale is a conditional sale, Conditional Sale is an important concept in property valuation as it can affect the value of a property, for example, if a property is being sold subject to certain conditions, its value may be lower than if it were not.

Consideration is the thing or value that is given in exchange for a property, it is the price or payment that is made for a property, for example, if a property is sold for \$100,000, the consideration is \$100,000, Consideration is an important concept in property valuation as it helps to determine the value of a property, for example, if a property is sold for a high consideration, its value may be higher than if it were sold for a low consideration.

Conveyance is the process of transferring or conveying the ownership of a property from one party to another, it is the act of transferring the title to a property, for example, if a property is being sold, the conveyance is the process of transferring the title to the buyer, Conveyance is an important concept in property valuation as it helps to establish the ownership of a property.

Cost Approach is a type of approach that is used to determine the value of a property, it is a method that estimates the value of a property by calculating the cost of replacing or reproducing the property, for example, if a property is being appraised, the cost approach may be used to determine its value, Cost Approach is an important concept in property valuation as it helps to establish the value of a property.

Cost Basis is the original cost of a property, it is the price or amount that was paid for a property, for example, if a property was purchased for \$100,000, the cost basis is \$100,000, Cost Basis is an important concept in property valuation as it helps to determine the value of a property, for example, if a property has a high cost basis, its value may be higher than if it had a low cost basis.

Depreciation is the process of reducing or decreasing the value of a property over time, it is the loss of

value that occurs when a property becomes older or wears out, for example, if a property is depreciating at a rate of 5% per year, its value will decrease by 5% each year, Depreciation is an important concept in property valuation as it can affect the value of a property, for example, if a property is depreciating rapidly, its value may be lower than if it were not.

Discount Rate is the rate at which a future cash flow is discounted to its present value, it is a measure of the time value of money, for example, if a property is expected to generate \$10,000 in rental income per year for the next 10 years, and the discount rate is 10%, the present value of the future cash flows is \$61,814, Discount Rate is an important concept in property valuation as it helps to determine the value of a property, for example, if a property has a high discount rate, its value may be lower than if it had a low discount rate.

Easement is a type of right or interest in a property that is granted to another party, it is a non-possessory interest in a property, for example, if a property owner grants an easement to a utility company to install a power line, the easement is a right or interest in the property, Easement is an important concept in property valuation as it can affect the value of a property, for example, if a property has an easement, its value may be lower than if it did not.

Effective Gross Income is the income that a property generates from rental income and other sources, it is the total income that a property produces, for example, if a property generates \$10,000 per year in rental income and \$2,000 per year in other income, the effective gross income is \$12,000 per year, Effective Gross Income is an important concept in property valuation as it helps to determine the value of a property, for example, if a property has a high effective gross income, its value may be higher than if it had a low effective gross income.

Encumbrance is a type of claim or lien that is placed on a property, it is a restriction or limitation on the use or enjoyment of a property, for example, if a property has a mortgage on it, the mortgage is an encumbrance on the property, Encumbrance is an important concept in property valuation as it can affect the value of a property, for example, if a property has a high encumbrance, its value may be lower than if it had a low encumbrance.

Equity is the difference between the value of a property and the amount of debt that is owed on the property, it is the owner's interest in a property, for example, if a property is valued at \$100,000 and there is a \$50,000 mortgage on the property, the equity is \$50,000, Equity is an important concept in property valuation as it helps to determine the value of a property, for example, if a property has a high equity, its value may be higher than if it had a low equity.

Escrow is a type of account that is used to hold funds or documents until certain conditions are met, it is a neutral account that is used to facilitate a transaction, for example, if a property is being sold and the buyer and seller agree to hold the deed to the property in escrow until the sale is complete, the escrow is a neutral account that is used to facilitate the transaction, Escrow is an important concept in property valuation as it helps to ensure that transactions are completed smoothly and that all parties are protected.

Estimate is a statement or opinion of the value of a property, it is a prediction or forecast of the value of a property, for example, if an appraiser estimates that a property is worth \$100,000, the estimate is a statement or opinion of the value of the property, Estimate is an important concept in property valuation as it helps to determine the value of a property, for example, if a property has a high estimate, its value may be higher than if it had a low estimate.

Exclusion is a type of restriction or limitation that is placed on a property, it is a prohibition or ban on certain uses or activities on a property, for example, if a property has a covenant that prohibits the construction of a building on the property, the exclusion is a restriction or limitation on the use of the property, Exclusion is an important concept in property valuation as it can affect the value of a property, for example, if a property has a high exclusion, its value may be lower than if it had a low exclusion.