

Commercial/Industrial Examination

These concepts are **in addition to** those listed on the previous pages for the Land/Residential Examination

Cost Approach ~ Commercial Properties

- Using a commercial building cost manual
 - Calculating Annual Rates of Depreciation
 - Replacement vs. Reproduction cost
 - Data collection
 - Sketching
 - Building Classification
 - Quality class
 - Using cost tables
 - Using current cost multipliers
 - Using local multipliers
 - Using cost indexes
 - Trending historical costs
 - Highest and Best Use
 - Concept of Ideal Improvement
 - Reconciling Market Value
- Leasing and financing terminology
 - Types of Rent
 - Leases
 - Units of Comparison
 - Income and Expense Analysis
 - Potential Gross Income
 - Market versus Contract Rent
 - Miscellaneous income
 - Vacancy and collection loss
 - Expenses (allowable vs. non-allowable)
 - Expense Ratios
 - Net Operating Income
 - Capitalization Rate Components
 - Discount rate
 - Recapture rate
 - Effective Tax Rate
 - Using land and building capitalization rates
 - Direct Capitalization
 - Development and application of an overall capitalization rate
 - Multipliers – Gross Rent vs. Gross Income
 - Yield Capitalization
 - Discounted Cash Flow
 - Reversion

Income Approach

- Definition of Direct and Indirect Capitalization
- Income/Rate/Value (IRV)
- Band of Investment
- Land and Building Residual Techniques