

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

I. Other Presentations In Which Either The Date And /
Or Sponsoring Organization Is Missing

2. Appraisal Topics

h. "Assessing Income Properties - How Many
Sticks in the Bundle of Rights?",

July 11, 1984

ASSESSING INCOME PROPERTIES -
HOW MANY STICKS IN THE BUNDLE OF RIGHTS?

July 11, 1984

- I. Defining the Appraisal Problem for Income Properties
 - A. Defining the Real Estate, Tangible Personalty, and Intangible Personalty
 - B. A Three-Tier Market for Real Estate
 1. Utilitarian
 2. Going concern
 3. Commodity speculation
 - C. Sale of Interest or Fee
 1. Venture partnership
 2. Syndicate unit
 3. Subordinated fee
 4. Public/private joint venture
 5. Arbitrage income opportunities
 - D. Problems with the Market Comparison Approach
 1. What business opportunities were bought and sold
 2. What allocations between real estate and other interests were made for accounting convenience
 3. Choosing the proper unit of comparison
 4. The gross rent multiplier and problems of computation, allocation to furnishings, and business opportunity
 5. What is the relationship of reported sales price to equalization standards
- II. The Income Approach to Value
 - A. Sources of Income Considered by Investor
 1. Net income
 2. Appreciation in resale
 3. Equity buildup
 4. Investment tax credits
 5. Income tax shelter
 6. Sale of services
 7. Leveraging on inflation
 - B. The Overall Rate
 1. Idealized ratio
 2. Cash equivalency sales price
 3. Net income attributable to real estate
 4. Comparability of properties relative to rate of operational obsolescence

- C. The Back Door Approach - An Alternative to the Indirect Route to an Overall Rate
- D. National Time Series Data, A Time-Sensitive, Objective Average Overall Rate
- E. Pension Fund Purchases - The Best Chance for a Pure Overall Rate
- F. Testing the Reasonableness of the Income Approach Using OAR's

III. Errors in Procedure Which Should Lead to Professional or Legal Review

- A. Unqualified Listing of "Comparable Sales"
- B. Double Counting of Realty and Personalty
- C. Failure to Observe Explicit Conditions of Fair Market Value
- D. Failure to Test Reasonableness of Value Conclusion in Terms of Investment Market Ratios