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

**Income Approach**

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