

Circle *True* or *False* as the better answer.

1. Small income properties are bought and sold only for their tangible amenities.
True False
2. A 5% savings account that has just paid a \$500 annual dividend is worth about \$25,000.
True False
3. If you subtract vacancy and credit loss from gross scheduled income, you arrive at the effective gross income.
True False
4. In income property appraisal, the gross rent multiplier is often considered part of the sales comparison approach.
True False
5. Gross rent multipliers normally vary inversely with the operating expense ratio.
True False
6. Economic or market rent can be defined as the potential gross rent in an open market.
True False
7. A step-up lease is a lease on a walk-up apartment.
True False
8. Operating expenses should include all owner-related expenses.
True False
9. Expenses that are not classified as either variable or fixed should be omitted.
True False
10. Rent for the manager's unit should be included in the rent forecast.
True False

Multiple Choice Questions. Indicate the best answer.

1. In a small income property, which of the following benefits should be classified as intangible?
 - a. Regular income
 - b. Opportunity to apply management skills
 - c. Free rent
 - d. Appreciation in value
2. Tom Jones has a savings account that just paid a \$400 annual dividend. If the declared interest rate is 5%, how much is on deposit?
 - a. \$ 2,000
 - b. \$20,000
 - c. \$ 8,000
 - d. \$12,000
3. The income remaining after vacancy and credit losses are deducted from gross rent is known as
 - a. Net to operations
 - b. Net income
 - c. Effective gross rent
 - d. None of the above
4. Your 10-unit property has a gross income of \$90,000. What is its probable value if the GRM is 8.5, based on comparable sales?
 - a. \$ 765,000
 - b. \$1,050,000
 - c. \$ 500,000
 - d. \$ 720,000
5. When calculating gross rent multipliers from recent sales, which of the following should be used, if we assume no rent control is in effect?
 - a. Actual scheduled rent
 - b. Effective gross rent
 - c. Average rent
 - d. Market or economic rent
6. Under one kind of lease the tenant pays a minimum rent or a percentage of the gross sales, whichever is the larger amount. Any amount over the minimum is best described as
 - a. Excess rent
 - b. Overage rent
 - c. Contract rent
 - d. Percentage rent

7. A rent survey should note for each property
- Scheduled rents, specific units occupied, and typical vacancy
 - Services and utilities included in the rent
 - Rent control regulations in effect
 - All of the above
8. An apartment building has a scheduled gross income of \$80,000 per year, vacancy of 5%, and operating expenses of \$20,000. Find the indicated value if the net income is capitalized at 8%.
- \$1,000,000
 - \$ 750,000
 - \$ 700,000
 - \$ 450,000
9. Which of these expense items are not valid in an appraisal?
- Owner-related expenses
 - Property-related expenses
 - Current operating costs
 - None of the above
10. The cost of a new roof should be treated
- As a variable expense
 - As a fixed expense
 - By a replacement reserve allocation
 - As an addition to capital
11. An apartment owner spent \$1,800 last year to replace three air conditioning units. In a 25-unit apartment house, find the total annual reserve expense for air conditioner replacement. Assume a useful life of 10 years.
- \$ 1,800
 - \$ 1,500
 - \$15,000
 - \$ 600
12. You are deriving a gross rent multiplier in the appraisal of a 14-unit apartment building. Market data is as follows:
- 16 units sold for \$900,000 with a gross income of \$100,000.
12 units sold for \$720,000 with a gross income of \$80,000.
4 units sold for \$480,000 with a gross income of \$40,000.

Recognizing the importance of comparability, what GRM is suggested for the subject property by the sales data?

- 10
- 11
- 12
- 9