

APPRAISER CERTIFICATION BOARD

November 14, 2024

Agenda Item 3

Meeting Minutes

APPRAISER CERTIFICATION BOARD

MEETING MINUTES

Nevada Department of Taxation
4600 Kietzke Lane, Suite L235
Reno, Nevada
&
Via Zoom

August 13, 2024
9:19 a.m.

Members Present:

Jayne Jacobs, Chair
Sorin Popa
Jana Seddon
Lorna Quisenberry
Chris Sarman
Richard Ewell-Absent

1. **Public Comment**

There was no public comment.

2. **Election of Chair and Vice Chair.**

Member Sarman nominated Member Popa as Chair. Member Quisenberry seconded the motion. Motion passed unanimously.

Member Sarman nominated Member Seddon as Vice Chair. Member Jacobs seconded the motion. Motion passed unanimously.

3. **Introductions.**

Chali Spurlock, Program Officer I with the Department of Taxation, took roll call. Quorum was established.

4. **Review and Consideration for Approval of the May 14, 2024, Appraiser Certification Board Meeting Minutes.**

Member Jacobs motioned to approve the minutes from the May 14, 2024, meeting. Member Sarman seconded. Motion passed unanimously.

5. **Review and Consideration of Continuing Education Credit Hours.**

Member Sarman motioned to approve A, C and D. Member Seddon seconded. Member Jacobs abstained from item D. Motion passed.

a) AI – General Appraiser Sales Comparison Approach, 27 hours

Class was approved for 27 hours.

b) IAAO – 27th GIS Valuation Technologies Conference, 22 hours

Member Sarman suggested to look at the hours for the sessions individually. The other members agreed.

- 1) Updating CAMA systems with regression-based AVMs - Member Sarman motioned to deny. Member Jacobs seconded the motion. Motion passed unanimously. Class was denied.
- 2) Disruptive Opportunities - Member Sarman motioned to deny. Member Quisenberry seconded the motion. Motion passed unanimously. Class denied.
- 3) Unlocking Excellence and Telling Your Story - Member Sarman motioned to approve. Member Seddon seconded the motion. Motion passed unanimously. Class was approved for 1.5 hours.
- 4) Tooele County's AVM Transition Success - Member Sarman motioned to approve. Member Jacobs seconded the motion. Motion passed unanimously. Class was approved for 1 hour.
- 5) Bias in the Appeal Process - Member Sarman motioned to approve. Member Jacobs seconded the motion. Motion passed unanimously. Class was approved for 1 hour.
- 6) Optimizing Tax Administration with GIS, Dashboards and Business Intelligence - Member Seddon motioned to approve. Member Jacobs seconded. Motion passed unanimously. Class was approved for 1.5 hours.
- 7) GIS for Assessment Professionals - Member Sarman motioned to approve. Member Jacobs seconded the motion. Motion passed unanimously. Class was approved for 1 hour.
- 8) Changing the Office Culture - Member Sarman motioned to deny. Member Seddon seconded the motion. Motion passed unanimously. Class denied.
- 9) Mastering Market Segmentation - Member Sarman motioned to approve. Member Quisenberry seconded the motion. Motion passed unanimously. Class was approved for 4 hours.

c) Team Consulting – Valuation of Renewable Energy, 2 hours

Class was approved for 2 hours.

d) Home Builders Research – Las Vegas Housing Outlook, 2.5 hours

Class was approved for 2.5 hours.

6. Briefing to and from Appraiser Certification Board and Department Staff.

Hector Sepulveda with the Department of Taxation stated that Jeffrey Mitchell with the Department of Taxation is working on the memo that was discussed at the last meeting. It is very similar to the guidance letter dated February 22, 2022. Once it's completed, he will send it to everyone.

Kelly Langley with the Department of Taxation let the members know that member Sarman's term is expiring September 30th and will need to be reappointed or replaced by NAA. Member Seddon said they will do that at their assessor conference the week of September 9th.

7. **Schedule Date and Review Agenda Topics for the Next Appraiser Certification Board Meeting (for possible action).**

The next meeting is tentatively scheduled for November 14, 2024.

Member Seddon will be submitting a class for approval from the Assessor's Association of Nevada called The ABC's & 123's of Nevada Assessment. It will be hosted on August 28th in Fallon for \$200 a person and taught by Mark Stafford. It is an 8-hour class with 7.5 hours CE credits if it is approved at the next meeting. The class will be offered twice per year.

8. Public Comment

There was no public comment.

9. **Adjournment. 9:47 a.m.**

APPRAISER CERTIFICATION BOARD

August 13, 2024

Agenda Item 4

(a) SQL Query Writing for Non-Technical People



Nevada Department of Taxation
Property Tax Appraiser Continuing Education
New Course Application

Return this form to:
Division of Local Government Services
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706

Please Print or Type:

COURSE INFORMATION (A person who wishes to receive contact hours for a course of continuing education that has not been previously approved, must apply for such approval.)

<div style="background-color: black; width: 100%; height: 100%;"></div>	<small>TITLE</small>
<small>TITLE OF COURSE</small>	
<small>VENDOR/PROVIDER</small>	

1. Course Summary:

2. What are the hours of instruction? _____

3. What is the completion date? _____

SUBJECT CLASSIFICATION - CHECK ALL THAT APPLY

- | | |
|---|--|
| <p><input type="checkbox"/> Mass Appraisal Concepts and Applications</p> <p><input type="checkbox"/> IAAO Standards</p> <p><input type="checkbox"/> Residential, Commercial/Industrial Appraisal</p> <p><input type="checkbox"/> Unitary/Centrally Assessed Property Appraisal</p> <p><input type="checkbox"/> Legal Documents (Deeds, Titles, Leases, etc.)</p> <p><input type="checkbox"/> Nevada Statutes or Regulation, Appraisal or Assessment Standards</p> | <p><input type="checkbox"/> College or Professional Level Accounting, Finance, Statistics or Other Appraisal Subjects</p> <p><input type="checkbox"/> GIS, Mapping, CAMA</p> <p><input type="checkbox"/> Laws Relating to Real Estate, Water or Mining</p> <p><input type="checkbox"/> Professional Ethics</p> <p><input type="checkbox"/> Other</p> |
|---|--|

If other, please describe why the course is applicable to appraisal and/or property tax.

REQUIRED MATERIALS TO BE SUBMITTED WITH APPLICATION INCLUDE:

- ☐ Detailed Course Outline
- ☐ Syllabus or Course Material

SIGNATURE

► _____ Date _____
Requestor Signature

For Department Use Only

NUMBER OF CREDIT HOURS GRANTED	NUMBER OF CREDIT HOURS APPEARING ON TRANSCRIPT	MILESTONE APPLIED TO	TOTAL HOURS FOR THIS MILESTONE

Verified by:

► _____ Title _____ Date _____
Division of Local Government Services

Proposed 4 hour Course:

SQL (Structured query language) Query Writing for Non-Technical People

Are you interested in learning how to write SQL queries to extract and analyze data from databases? Do you want to improve your skills and confidence in working with data? If so, this seminar is for you!

This four-hour seminar will introduce you to the basics of SQL, a powerful and widely used language for querying and manipulating data. You will learn how to:

- Connect to a database and explore its structure and contents
- Write simple and complex SQL queries to retrieve data from one or more tables
- Use various SQL functions and operators to filter, sort, group, and aggregate data
- Join tables and combine queries to create more comprehensive and meaningful results
- Save queries, share them with others and run them again later

By the end of this seminar, you will have a solid foundation in SQL and be able to perform various data analysis tasks using SQL queries. You will also receive a certificate of completion and access to additional resources and exercises to practice and enhance your skills.

APPRAISER CERTIFICATION BOARD

August 13, 2024

Agenda Item 4

(b) Intro to Python



Nevada Department of Taxation
Property Tax Appraiser Continuing Education
New Course Application

Return this form to:
Division of Local Government Services
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706

Please Print or Type:

COURSE INFORMATION (A person who wishes to receive contact hours for a course of continuing education that has not been previously approved, must apply for such approval.)

<small>NAME OF REQUESTER</small> [REDACTED]	<small>TITLE</small> Assessor
<small>TITLE OF COURSE</small> Intro to Python	
<small>VENDOR/PROVIDER</small> Jaime Maya-Lopez (Washoe County)	

1. Course Summary:

2. What are the hours of instruction? _____

3. What is the completion date? _____

SUBJECT CLASSIFICATION - CHECK ALL THAT APPLY

- | | |
|---|--|
| <input checked="" type="checkbox"/> Mass Appraisal Concepts and Applications
<input type="checkbox"/> IAAO Standards
<input type="checkbox"/> Residential, Commercial/Industrial Appraisal
<input type="checkbox"/> Unitary/Centrally Assessed Property Appraisal
<input type="checkbox"/> Legal Documents (Deeds, Titles, Leases, etc.)
<input type="checkbox"/> Nevada Statutes or Regulation, Appraisal or Assessment Standards | <input type="checkbox"/> College or Professional Level Accounting, Finance, Statistics or Other Appraisal Subjects
<input type="checkbox"/> GIS, Mapping, CAMA
<input type="checkbox"/> Laws Relating to Real Estate, Water or Mining
<input type="checkbox"/> Professional Ethics
<input checked="" type="checkbox"/> Other |
|---|--|

If other, please describe why the course is applicable to appraisal and/or property tax.

Relevance in processing personal property asset declarations, automating repetitive tasks, identifying NAICS codes, assets belonging to certain NAICS codes, account detection for added and removed assets.

REQUIRED MATERIALS TO BE SUBMITTED WITH APPLICATION INCLUDE:

- ☒ Detailed Course Outline
☐ Syllabus or Course Material

SIGNATURE

<div><small>Requestor Signature</small></div>	<div>9/4/2024</div> <div><small>Date</small></div>
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Verified by:

<div><small>Division of Local Government Services</small></div>	<div>_____</div> <div><small>Title</small></div>	<div>_____</div> <div><small>Date</small></div>
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Proposed 2 hour course:

Introduction to Python

☐ **Introduction to Python**

- **What is Python?**
 - Discuss Python's relevance in data processing and benefits for tax assessment tasks.
- **Why Python for Assessors**
 - Explain Python's ease of use, flexibility, and its role in automating repetitive tasks.
- **Critical Question:** How could Python improve your current workflow?

☐ **Practical Use Cases and Python Applications**

- **Real-World Examples**
 - Share examples of Python in government, finance, or data processing, including case studies.
 - Examples shown:
 - Built program to assist in processing personal property accounts
 - Program will identify NAICS codes, assets that exist to the specific NAICS code, and detect if the account has removed assets.
- **Python in Data Analysis**
 - Overview of Python's role in data analysis, focusing on tasks like data cleaning.
- **Python for Automation**
 - Highlight Python's automation capabilities and discuss relevant scripts.
- **Critical Question:** How could Python save time or improve accuracy in your work?
- **Group Discussion:** Brainstorm automation ideas for their workflows.

☐ **Use Case: Processing Excel Files**

- **Introduction to the Program**
 - Overview of a program that automates Excel file processing.
- **Using pandas**
 - Demonstrate pandas for reading and modifying Excel files with a simple code example.
- **Introduction to openpyxl**

- Demonstrate how openpyxl handles complex Excel formatting with a code example.
- **Practical Exercise:** Walk through modifying an Excel file with openpyxl.
- **Critical Question:** What tasks could be automated with Python?
- **Understanding pip and Libraries**
 - **What is pip?**
 - Explain pip's role in Python and managing libraries.
 - **Installing Libraries**
 - Walkthrough of installing a library using pip.
 - **Overview of openpyxl**
 - Recap openpyxl's capabilities and discuss advanced Excel manipulations.
 - **Critical Question:** Which tasks could benefit from specific Python libraries?
 - **Q&A on Libraries:** Address questions about libraries and pip.
- **Installing Python**
 - **Step-by-Step Installation**
 - Guide through downloading and installing Python with screenshots.
 - **Setting up PATH**
 - Explain the importance of PATH configuration and demonstrate it.
 - **Troubleshooting:** Common installation problems and solutions.
 - **Critical Question:** What challenges do you foresee in adopting Python?
- **Breakout Project: Critical Thinking in Automation**
 - **Project Introduction**
 - Present a scenario where automation could improve efficiency.
 - **Critical Thinking Exercise:** Design a process to automate the task, identify repetitive steps, and address challenges.
- **Q&A Session**
 - **Open Discussion:** Encourage audience questions on any topics covered.
- **Further Learning and Resources**
 - **Online Resources:** Provide links to tutorials, documentation, and courses.

- **Communities and Forums:** Mention coding communities and local meetups for continued learning.

□ **Closing Remarks**

- **Summary of Key Takeaways:** Recap main points and encourage continued practice.
- **Encouragement:** Motivate the audience to apply Python in their work.

APPRAISER CERTIFICATION BOARD

August 13, 2024

Agenda Item 4

(c) Development of Capitalization Rates



Nevada Department of Taxation
Property Tax Appraiser Continuing Education
New Course Application

Return this form to:
Division of Local Government Services
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706

Please Print or Type:

COURSE INFORMATION (A person who wishes to receive contact hours for a course of continuing education that has not been previously approved, must apply for such approval.)

<small>NAME OF REQUESTER</small> [REDACTED]	<small>TITLE</small> [REDACTED]
<small>TITLE OF COURSE</small> DEVELOPMENT OF CAPITALIZATION RATES	
<small>VENDOR/PROVIDER</small> TEAM CONSULTING, LLC	

1. Course Summary:

THE DEVELOPMENT OF A CAPITALIZATION AS PART OF THE INCOME APPROACH TO VALUE. PROVIDES GUIDANCE AND EXPLANATIONS OF OVERALL CAPITALIZATION RATE, LAND CAPITALIZATION RATE, AND BUILDING CAPITALIZATION RATE. ALSO DISCUSS UNLOADED VERSUS LOADED CAPITALIZATION RATE.

2. What are the hours of instruction? 8

3. What is the completion date? 10/8/2024

SUBJECT CLASSIFICATION - CHECK ALL THAT APPLY

- | | |
|--|--|
| <input type="checkbox"/> Mass Appraisal Concepts and Applications
<input type="checkbox"/> IAAO Standards
<input type="checkbox"/> Residential, Commercial/Industrial Appraisal
<input type="checkbox"/> Unitary/Centrally Assessed Property Appraisal
<input type="checkbox"/> Legal Documents (Deeds, Titles, Leases, etc.)
<input type="checkbox"/> Nevada Statutes or Regulation, Appraisal or Assessment Standards | <input type="checkbox"/> College or Professional Level Accounting, Finance, Statistics or Other Appraisal Subjects
<input type="checkbox"/> GIS, Mapping, CAMA
<input type="checkbox"/> Laws Relating to Real Estate, Water or Mining
<input type="checkbox"/> Professional Ethics
<input checked="" type="checkbox"/> Other |
|--|--|

If other, please describe why the course is applicable to appraisal and/or property tax.

DEVELOPMENT OF CAPITALIZATION RATES

REQUIRED MATERIALS TO BE SUBMITTED WITH APPLICATION INCLUDE:

- ☒ Detailed Course Outline
- ☒ Syllabus or Course Material

SIGNATURE

[REDACTED SIGNATURE]

Requester Signature

Date

For Department Use Only

<small>NUMBER OF CREDIT HOURS GRANTED</small>	<small>NUMBER OF CREDIT HOURS APPEARING ON TRANSCRIPT</small>	<small>MILESTONE APPLIED TO</small>	<small>TOTAL HOURS FOR THIS MILESTONE</small>

Verified by:

	<small>Title</small>	<small>Date</small>
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Development of Capitalization Rates



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**Marion Johnson, CAE, FIAAO,
Rick Stuart, CAE, FIAAO,
&
Brad Eldridge, MAI, CAE**

September 2024

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Section 1 – Introduction, Workshop Overview, and Objectives

1.1. Introductions

Presenter and class introductions.

1.2. Workshop Overview and Agenda

The development of a capitalization rate is an important part of the income approach to value, but it can be a challenge for assessors/appraisers. This workshop provides guidance and explanations of capitalization rates, as well as resources for developing a well-supported capitalization rate.

The differences between an overall capitalization rate, a land capitalization rate, and a building capitalization rate will be discussed. Other issues such as unloaded versus loaded capitalization rates will also be addressed.

The workshop reviews the difference between capitalization rates used in direct capitalization and a yield rate used in yield capitalization (discounted cash flow or DCF analysis).

1.3. Workshop Objectives

- Know the basic premises for the Uniform Standard for Professional Appraisal Practice (USPAP)
- Understand the process to arrive at the net operating income
- Understand the definition of capitalization
- Development of a capitalization rate by direct and yield methods
- Use and application of land and building rates
- Find and understand capitalization rates from outside sources
- Hands-on application using case study data

Section 2 – USPAP Review

2. General USPAP Background

This section of the workshop outlines the background and components of USPAP, with descriptions of how it applies to appraisal practice.

2.1. What is USPAP and why was it developed?

- A. USPAP stands for the *Uniform Standards of Professional Appraisal Practice*.
- B. The standards were developed to establish requirements for appraisers and to assist users of appraisal services.
- C. USPAP was developed as a result of unethical appraisal and loan practices in conjunction with a large number of savings and loan closures or bailouts in the 1980s.
- D. The purpose of USPAP is to promote and maintain a high level of *public trust*.

2.2. Who must comply with USPAP?

- A. An appraiser must comply with USPAP when either the service or the appraiser is required by law, regulation, or agreement with the client. Individuals may also choose to comply with USPAP any time the individual is performing the service as an appraiser.
- B. Current edition is 2024 USPAP
 - Previous 2020 edition of USPAP was extended until December 31, 2023. Now, the 2024 version applies.
 - All state certified and licensed appraisers are required to take the 7-Hour USPAP Update Course every two years.
 - This is not tied to the USPAP publication cycle and does not change the requirement that licensed appraisers take the 7-Hour USPAP Update Course every two years.

2.3. Five Rules

- A. *Ethics Rule* is divided into three sections:
 - 1. **Conduct** – Assignments must be performed ethically with impartiality, objectivity and independence.
 - 2. **Management** – Cannot have undisclosed fees or commissions.
 - 3. **Confidentiality** – Protect the confidential nature of the appraiser-client relationship.
- B. *Record Keeping Rule* – Work file must be kept for at least five (5) years or at least two (2) years after final disposition of any judicial proceeding and also file retrieval agreements.
- C. *Competency Rule* – No assignment should be accepted if you do not have the knowledge and experience to complete the appraisal competently.
- D. *Scope of Work Rule* – For each appraisal and appraisal review:
 - 1. Identify the problem to be solved
 - 2. Determine and perform the scope of work necessary to develop credible assignment results, and
 - 3. Disclose the scope of work in the report
- E. *Jurisdictional Exception* – Public law/regulation supersedes USPAP.

2.4. Ten Standards

Standard 1 – Real Property Appraisal, Development

Standard 2 – Real Property Appraisal, Reporting

Standard 3 – Appraisal Review, Development

Standard 4 – Appraisal Review, Reporting

Standard 5 – Mass Appraisal, Development

Standard 6 – Mass Appraisal, Reporting

Standard 7 – Personal Property Appraisal, Development

Standard 8 – Personal Property Appraisal, Reporting

Standard 9 – Business Appraisal, Development

Standard 10 – Business Appraisal, Reporting

2.5. Advisory Opinions – These do not establish new standards or interpret existing standards. The Opinions illustrate the applicability of appraisal standards in specific situations and offer advice.

A. Advisory Opinion 32 (AO-32) – This advisory opinion looks at ad valorem property and mass appraisal assignments, with an emphasis on the communication of assignment results and what USPAP standard applies in a given situation.

AO-32 confirms that the elements, results, opinions, and value conclusions of the mass appraisal report must be developed under Standard 5 and clearly communicated as required by Standards 6-1 and 6-2.

The Advisory Opinion also states “An appraiser may be asked to communicate the assignment results for a single property that was appraised as part of a mass appraisal assignment. USPAP does not address this specific circumstance.

The reporting requirements of Standard 2 apply to appraisal assignments developed under Standard 1 and do not apply to mass appraisal assignments prepared under Standard 6.

However, the second sentence of the Preamble states: *It is essential that appraisers develop and communicated their analyses, opinions and conclusions to intended users of their services in a manner that is meaningful and not misleading.*

Additionally, the Ethics Rule states: *An appraiser must not communicate assignment results with the intent to mislead or defraud.*

The ETHICS RULE also states: *An appraiser must not use or communicate a report that is known by the appraiser to be misleading or fraudulent.*

Therefore, if an appraiser communicates mass appraisal or assignment results for a single property, the communication must be meaningful and must not be misleading.”¹

¹ USPAP Guidance: Advisory Opinions, 2024 Edition, page 93-95

B. Advisory Opinion 32 Offers Several Illustrations

1. An appraiser is in the process of developing appraisals for the next year's tax roll. The residential properties, condominiums and general commercial and major commercial properties will be valued with a mass appraisal model. Which development standards apply?

Because the subject of the appraisal is a universe of properties, and because they are being appraised with a mass appraisal model, STANDARDS 5 and 6 apply.

2. An appraiser has completed a mass appraisal for ad valorem taxation using a mass appraisal model. There is a special use property for which it has been determined that the mass appraisal model is not appropriate. The property will be appraised as an individual property. Which standard applies to the appraisal of the special use property?

Even though the special use property is being appraised for ad valorem taxation, STANDARD 1 would apply because the subject property is an individual property, not a universe of properties.

3. An assessment appeal is in process and an appraisal of an individual property is being conducted as part of that appeal. Which development standards apply?

If the property under appeal is reanalyzed on an individual basis with a new value conclusion, STANDARDS 1 and 2 apply. If the improper mass appraisal model was applied and the issue was remedied during the appeal process, STANDARDS 5 and 6 apply.

4. An appraiser is conducting a mass appraisal for ad valorem taxation. A property record card is produced for each property. Is each property record card considered a report under Standard 6?

No. The property record card is not the mass appraisal report; it is only a portion of the information and analysis supporting the mass appraisal.²

² Ibid., pages 93-95

C. Additional Advisory Opinions

- **ADVISORY OPINION 18**

- Use of an Automated Valuation Model (AVM)**

- This AO does not apply to mass appraising, but mass appraisers should be aware of AVM issues and USPAP concepts involved. The ETHICS and COMPETENCY RULES still apply.³

- **ADVISORY OPINION 20**

- An Appraisal Review Assignment That Includes the Reviewer's Own Opinion of Value**

- Mass appraisers may be provided appraisals in the appeal process. Appraisal review is a specialized area of appraisal practice and are subject to professional standards. There are differences between math errors, work quality, and opinions. If acting as a reviewer, appraisers must substantiate and document deficiencies. If an opinion of value is made, it be developed and reported by same requirements as Standards 1 and 2, or 5 and 6.⁴

- **ADVISORY OPINION 28**

- Scope of Work Decision, Performance, and Disclosure**

- For each appraisal assignment, appraisers must:

- 1) identify the problem to be solved
 - 2) determine and perform the appropriate scope of work necessary to develop credible assignment results
 - 3) disclose the scope of work in the report.

- This AO provides illustrations and examples of assignment conditions that warrant certain actions of the appraiser.⁵

- **ADVISORY OPINION 29**

- An Acceptable Scope of Work**

- Appropriate scope of work is based on expectations of regularly intended users of similar assignments and what the appraiser's peers' actions would be in performing a similar assignment.⁶

³ Ibid., pages 33-38

⁴ Ibid., pages 44-48

⁵ Ibid., pages 78-81

⁶ Ibid., pages 82-84

- **ADVISORY OPINION 37**
Computer Assisted Valuation Tools

If we use process that uses Computer Assisted Tools then we must understand the definitions, process and output of these tools. Otherwise, we may develop inaccurate values and/or misinform our client and intended users of the mass appraisal.⁷

- **ADVISORY OPINION 40 (NEW IN 2024)**
Antidiscrimination and the Research, Analysis, and Reporting of Location Data, including Demographics, for Residential Real Property Appraisal Assignments

Antidiscrimination laws and ethical standards prohibit an appraiser from using or relying upon data or information about protected characteristics when development and/or reporting an opinion of value for residential real property. Appraisers must be familiar with these laws to ensure that they are not violated in the appraisal process.⁸

2.6. Frequently Asked Questions (FAQs)

The FAQ section is a form of guidance issued by the ASB in response to questions raised by users of USPAP and the public to illustrate the applicability of USPAP in particular situations and to offer advice from the ASB for the resolution of specific appraisal issues and problems.

The advice presented may not represent the only possible solution to the issues discussed and the advice provided may not be applied equally to seemingly similar situations. USPAP FAQs do not establish new standards or interpret existing standards. USPAP FAQs are not part of USPAP and are approved by the ASB without public exposure and comment.

A. FAQs of Interest

- **FAQ 18 – Disclosure of Previous Appraisals**
In most cases, appraisers must disclose how many times they have appraised the subject property. However, in mass appraisal it is unreasonable to disclose previous appraisal given the large quantity of properties involved.⁹

⁷ Ibid., pages 108-112

⁸ Ibid., pages 127-132

⁹ Ibid., page 152

- **FAQ 195 – Appraising Large Groups of Similar or Like Items**
USPAP does not require that STANDARD 5 (Mass Appraisal Development) be followed when valuing a significantly large group of similar or like items. While employing mass appraisal techniques may be helpful, its employment depends on assignment conditions, intended use, and agreement with the client.¹⁰
- **FAQ 196 – Blockage Discount and Standard 5**
Some property types, like vacant residential lots, may sell at a discount when sold in bulk. There is no connection between application of a bulk sale discount and mass appraisal developed in STANDARD 5.¹¹

2.7. Standard 5 (Mass Appraisal, Development) Relevant Sections¹²

A. Standards Rule 5

A mass appraisal includes:

- 1) identifying properties to be appraised;
- 2) defining market area of consistent behavior that applies to properties;
- 3) identifying characteristics (supply and demand) that affect the creation of value in that market area;
- 4) developing a model structure that reflects the relationship among the characteristics affecting value in the market area;
- 5) calibrating the model structure to determine the contribution of the individual characteristics affecting value;
- 6) applying the conclusions reflected in the model to the characteristics of the property(ies) being appraised; and
- 7) reviewing the mass appraisal results.

¹⁰ Ibid., page 221

¹¹ Ibid., page 221

¹² USPAP 2024 Edition, pages 35-40

B. Standards Rule 5-1

In developing a mass appraisal, an appraiser must:

- (a) be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce a credible mass appraisal.¹³

C. Standards Rule 5-2

In developing a mass appraisal, an appraiser must:

- ... (e) identify, from sources the appraiser reasonably believes to be reliable, the characteristics of the properties that are relevant to the type and definition of value and intended use, including:
 - (i) the group with which a property is identified according to similar market influence;
 - (ii) the appropriate market area and time frame relative to the property being valued; and
 - (iii) their location and physical, legal, and economic characteristics.¹⁴

D. Standards Rule 5-3

When necessary for credible assignment results, an appraiser must:

- ... (b) in appraising personal property: identify and analyze the effects on use and value of industry trends, value-in-use, and trade level of personal property. Where applicable, analyze the current use and alternative uses to encompass what is profitable, legal, and physically possible, as relevant to the type and definition of value and intended use of the appraisal.

Personal property has several measurable marketplaces; therefore, the appraiser must define and analyze the appropriate market consistent with the type and definition of value.¹⁵

¹³ Ibid., page 35

¹⁴ Ibid., page 36

¹⁵ Ibid., page 38

E. Comment to Standards Rule 5-5(a)(v)

The Comment to Standards Rule 5-5(a)(v) requires an appraiser conducting a mass appraisal assignment to ***take reasonable steps to ensure that the quantity and quality of the factual data that are collected are sufficient to produce credible appraisals.***

What are some examples of these steps?

In real property, where applicable and feasible, systems for routinely collecting and maintaining ownership, geographic, sales, income and expense, cost, and property characteristics data must be established.

Geographic data must be contained in as complete a set of cadastral maps as possible, compiled according to current standards of detail and accuracy.

Sales data must be collected, confirmed, screened, adjusted, and filed according to current standards of practice. The sales file must contain, for each sale, property characteristics data that are contemporaneous with the date of sale.

Property characteristics data must be appropriate and relevant to the mass appraisal models being used. The property characteristics data file must contain data contemporaneous with the date of the appraisal including historical data on sales, where appropriate and available.

The data collection program must incorporate a quality control program, including checks and audits of the data to ensure current and consistent records.

2.8. What's New in the 2024 Version of USPAP?

A. ETHICS RULE Updated with New Non-Discrimination Section

New verbiage added that requires appraisers to understand and comply with all applicable anti-discrimination laws at the local, state, and federal levels. The specific federal laws that should be followed:

- [The Fair Housing Act](#) (FHA);
- [The Equal Credit Opportunity Act](#) (ECOA); and
- [Sections 1981 and 1982 of the Civil Rights Act of 1866.](#)

The following legal terms are also included:

Disparate Treatment

Occurs when an appraiser intentionally treats a person differently from others, either in whole or in part, because of a protected characteristic.

Disparate treatment is discriminatory and violates applicable laws and USPAP even if the appraiser believes that statistics or their data might support the differential treatment.

Disparate Impact

Involves neutral policies or practices—that is, policies or practices that do not on their face reference or rely upon protect characteristics—that have an effect that is disproportionately adverse to individuals with a particular protect characteristics.

A person or entity is not required to go to all lengths to minimize a disparate impact, but if an alternative policy or practice is reasonable available and does not impose a material burden, the law will generally require adoption of that alternative.

Both of these discrimination issues do not require an appraiser to be motivated by malice or prejudice, or a showing of intent to treat members of a protected class differently from other persons.¹⁶

B. Transfers and Sales

Clarification has been provided to distinguish between a transfer and a sale.

While a “sale” always includes the transfer of a property, the “transfer” of a property may not always include a sale.

As a result, the phrase “and other transfers” has been incorporated into the language of multiple USPAP standards.¹⁷

¹⁶ USPAP 2024 Edition, pages 7-9, USPAP Guidance: Advisory Opinions, pages 118-126

¹⁷ USPAP Guidance: Advisory Opinions, pages 5-8

C. Retired and Modified Definitions

To streamline terminology, the terms Assignment Elements, Misleading, and Relevant Characteristics have been removed.

To clarify terminology, the following terms have been modified:

Appraiser

One who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.

The following comment was added:

Comment: Such expectation occurs when individuals, either by choice or by requirement placed upon them or upon the service they provide by law, regulation, or agreement with the client or intended users, represent that they comply.¹⁸

Personal Inspection

(for an appraisal assignment) the appraiser's **in-person observation** of the subject property performed as part of the scope of work; (for an appraisal review assignment) the reviewer's **in-person observation** of the subject of the work under review, performed as part of the scope of work.¹⁹

(corresponding revision to Advisory Opinion 2 regarding **personal inspection**).

Workfile

Documentation necessary to support **an** appraiser's **analyses**, opinions, and conclusions.²⁰

D. STANDARD 6: Mass Appraisal, Reporting

The ASB has always held that STANDARD 6 does not include an option for an oral report. It is now abundantly clear:

*In reporting the results of a mass appraisal, an appraiser must communicate each analysis, opinion, and conclusion **in writing** and in a manner that is not misleading.*

¹⁸ USPAP 2024 Edition, page 3

¹⁹ Ibid., page 5

²⁰ Ibid., page 6

2.9. Mass Appraisal and Capitalization Rates

A. USPAP SR 5-5(b)

Base estimates of capitalization rates and projections of future rental rates and/or potential earnings capacity, expenses, interest rates, and vacancy rates on reasonable and appropriate evidence.

Comment:

This requirement calls for an appraiser, in developing income and expense statements and cash flow projections, to weight historical information and trends, current market factors affecting such trends, and reasonably anticipated events, such as competition from developments either planned or under construction.²¹

B. **Advisory Opinion 33 (AO-33)** – This advisory opinion looks at the Discounted Cash Flow (DCF) analysis. AO-33 reminds the appraisal community that it is dependent on the analysis of uncertain future events. As a result, it is vulnerable to misuse or misapplication. AO-33 provides steps that the appraiser can take to comply with USPAP in completing the DCF analysis.

The Advisory Opinion also states:

- DCF analysis can be employed when valuing a variety of asset types.
- DCF analysis is regarded as one of the best methods of replicating steps taken to reach many investor buy/sell/hold decisions and is often a part of the exercise of due diligence in the evaluation of an asset.
- DCF analysis reflects investment criteria and requires the appraiser to make **rational** and **supportable** assumptions.
- DCF analysis is a tool available to the appraiser and is often applied in developing value opinions in concert with one or more other approaches.
- In certain circumstances it may be the most credible method to solve the valuation problem.²²

²¹ Ibid., page 39

²² USPAP Guidance: Advisory Opinions, The Appraisal Foundation, 2024, pages 96-98

C. Advisory Opinion 33 – Advice from the ASB on the Issue:

1. Avoid misuse or misunderstanding when DCF analysis is used in an appraisal assignment to develop an opinion of market value.

It is the responsibility of the appraiser to ensure that the controlling input is consistent with the market evidence and prevailing market attitudes.

2. Market value DCF analyses, along with available factual data, are intended to reflect the expectations and perceptions of market participants.

They should be judged on the support for the forecasts that existed when made, not on whether specific items in the forecast are realized at a later date.

3. Appraisal standards require that the appraiser must not commit a substantial error of omission or commission that significantly affects an appraisal.

The appraiser must not render appraisal services in a careless or negligent manner, such as making a series of errors that, although individually might not significantly affect the results of an appraisal, in the aggregate would affect the credibility of those results.

4. Computer printouts showing the results of DCF analysis may be generated by readily available means such as an appraiser's own spreadsheet, a commercially available spreadsheet template, or specialized DCF software.

Regardless of the method chosen the appraiser is responsible for the entire analysis including the controlling input, the calculations, and the resulting output.

If using commercial DCF software the appraiser should cite the name and version of the software and provide a brief description of any assumptions and/or methodology unique to that software, if any.

5. Discount rates applied of cash flows and estimates of reversion should be derived from data and information in the real estate and capital markets.

Surveys of investor opinion and yield indices are also useful in the rate selection process, but only when the type of and market for the asset being appraised is consistent with the type of and market for the asset typically acquired by the investors interviewed in the survey.

Primary considerations used in the selection of rates are risk, inflation, and real rates of return.

6. When reversion capitalization rates are used, they should reflect investor expectations considering the asset type, physical characteristics, age and condition, cash flow projections, and related factors.

The projection or forecast period is a variable and should be based upon the same factors that typical market participants are using.

The results of DCF analysis should be tested and check for errors and reasonableness.

7. The appraiser is to communicate each analysis, opinion, and conclusion in a manner that is not misleading.

Appraisals using the DCF method in the income capitalization approach may contain computerized projections of itemized future cash flow supported by exhaustive prints that can be misleading.

All of the assumptions directly affect the conclusion and must be clearly and accurately disclosed in the appraisal report.²³

²³ Ibid., pages 96-98

Section 3 – The Income Approach to Value

3. General

The income approach is considered the most appropriate valuation method when valuing a property that is rented. The income approach is the process of converting the future benefits (income) of the property ownership into an expression of present worth (market value) using an income capitalization rate.

Appraisers analyze income, expenses, and capitalization rates from the market to calibrate the income model. This process results in an indication of value based on the earning capacity of the property.

There are two capitalization methods to use in the income approach:

- 1) Direct capitalization – Single Year Income
- and
- 2) Yield capitalization – Multiple Years Income.

3.1. Direct Capitalization

Direct capitalization is a valuation method used to convert a single year's income expectancy (or an annual average of several years' income) into a value estimate. A method that utilizes capitalization rates and multipliers extracted from sales.

Yield and value changes are implied but not identified. Assessment officials typically use direct capitalization because of its ease of use and availability of data.

Direct capitalization is most widely used in the mass appraisal of commercial property because of the availability of market data for most property types.

3.1.1. Basic Direct Capitalization Income Formulas

The Income Approach is always reconstructed on an annual basis.

IRV Formula – With Rate

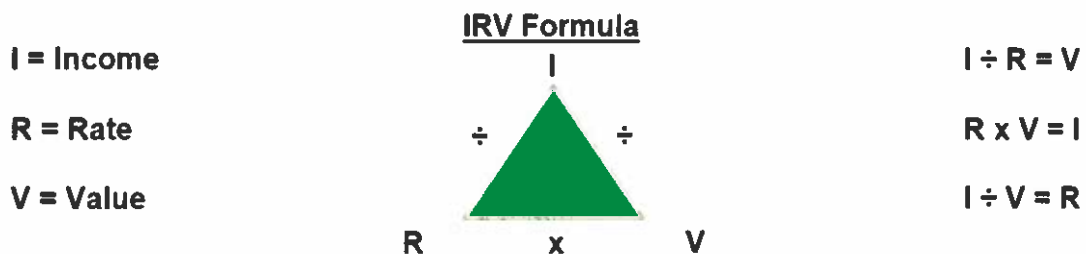
The direct capitalization method of the Income Approach is developed using the following ingredients:

Income ÷ Rate = Value, where

I = Net Operating Income

R = Overall Capitalization Rate (Ro)

V = Market Value (Sale Price)



VIF Formula – With Factor

The direct capitalization method of the Income Approach can also be developed using the following ingredients:

Income x Factor = Value, where

I = Net Operating Income

F = Factor

V = Market Value (Sale Price)



3.2. Steps in the Income Approach

The income for the property is estimated using the following formula:

Potential Gross Income	PGI
Less: Vacancy & Collection Loss	- V&C
Add: Miscellaneous Income	+ MISC
= Effective Gross Income	EGI
Less: Operating Expenses	- OE
= Net Operating Income	NOI

Step 1 – Estimate Potential Gross Income (PGI)

Step 2 – Subtract Vacancy & Collection Loss (V&C)

Step 3 – Add Miscellaneous Income (MISC)

Step 4 – Effective Gross Income (EGI)

Step 5 – Less Operating Expenses (OE)

Step 6 – Net Operating Income (NOI)

Using the previous examples for each component in the statement, the income and expense analysis is constructed as follows:

INCOME APPROACH – INCOME AND EXPENSE STATEMENT

PGI	10,000 SF	X	\$20/SF	=	\$200,000
- V&C	\$200,000	X	10%	=	\$20,000
+ MISC					\$0
EGI					\$180,000
- OE	10,000 SF	X	\$2.00/SF	=	\$20,000
NOI					\$160,000

The NOI calculated in the above statement is then capitalized into a value using the previously discussed IRV formula, where $\text{Income} \div \text{Rate} = \text{Value}$. If the market capitalization rate were 8%, the Income Approach value would be calculated as follows:

$$\$160,000 \text{ NOI} \div 8\% \text{ Cap Rate} = \$2,000,000 \text{ Value.}$$

3.3. Yield Capitalization

Yield capitalization is a method of converting future net benefits into present value where each future net benefit is discounted at a proper yield rate. This method requires explicit projections of income, holding period, appropriate discount rate and property reversion (resale) amount.

It generally considers the income stream for several years. Yield capitalization does not necessarily rely on comparable sales but does require the selection of an appropriate yield rate and terminal cap rate.

Yield capitalization is typically used in single property appraisal because it applies several property specific income characteristics. However, it can be applied in mass appraisal if the jurisdiction has conducted a detailed market analysis, appropriate market segmentation, and data available to adequately support the metrics applied.

Useful applications of yield capitalization include the valuation of a new rental property that has not reached a stabilized occupancy rate, properties with below market leases, or properties during market conditions that are temporarily impacted and are anticipated to change in the near future.

The following yield capitalization example utilizes a discounted cash flow (DCF) model for the valuation of a hotel property during the COVID-19 Pandemic.

Discounted Cash Flow Analysis (Yield Capitalization) - Custom Template									
County									
Valuation Year	2021								
Property Name	United Service								
Address									
Category									
Class									
Condition									
Year Built									
# Rooms	50								
Taxing Unit	Tax Unit #18								
Yield Rate	10.75%								
ETR	2.16%								
Loaded Yield Rate	12.91%								
Terminal Cap Rate	9.75%								
Loaded Terminal Cap Rate	11.01%								
Sale Expense	3.00%								
Number of Periods	7 (+1 for reversion)								
Calculated	Annually								
Custom Features									
	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8	
ADR	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00
Occupancy	50.0%	50.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Other Income (% EOI)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Total Operating Expense Rate	90.0%	90.0%	80.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
Period	1	2	3	4	5	6	7	8	
Room Revenue	\$684.275	\$132.311	\$621.218	\$489.688	\$489.688	\$489.688	\$489.688	\$489.688	\$489.688
Other Revenue (% Room Rev)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Effective Gross Income (EGI)	\$698.963	\$136.759	\$633.875	\$500.741	\$500.741	\$500.741	\$500.741	\$500.741	\$500.741
Fixed Operating Expenses (% EOI)	90.0%	90.0%	80.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
Net Operating Income (NOI)	\$64.903	\$37.617	\$167.535	\$143.244	\$143.244	\$143.244	\$143.244	\$143.244	\$143.244
Percent Change in NOI		120.0%	118.2%	62.5%	0.0%	0.0%	0.0%	0.0%	11.01% Rn
Average Percent Change	50.0%								
Present Value Factor	0.9037	0.7844	0.6947	0.6153	0.5449	0.4826	0.4274	0.3784	0.3348
Present Value	\$58.912	\$29.521	\$116.388	\$87.506	\$77.506	\$68.991	\$60.991	\$53.991	\$47.991
Total Present Value	\$1,119.000								
Indicated Value (Reversion)									
Indicated Value per Room	\$22.380								

3.4. Income Approach Discussion Questions

- 1) *Which income capitalization method analyzes a single year of income and expenses?*
- 2) *Which income capitalization method analyzes multiple years of income and expenses?*
- 3) *Which income capitalization method analyzes is most widely used in mass appraisal and why?*
- 4) *In what situations would an appraiser utilize the yield capitalization method?*

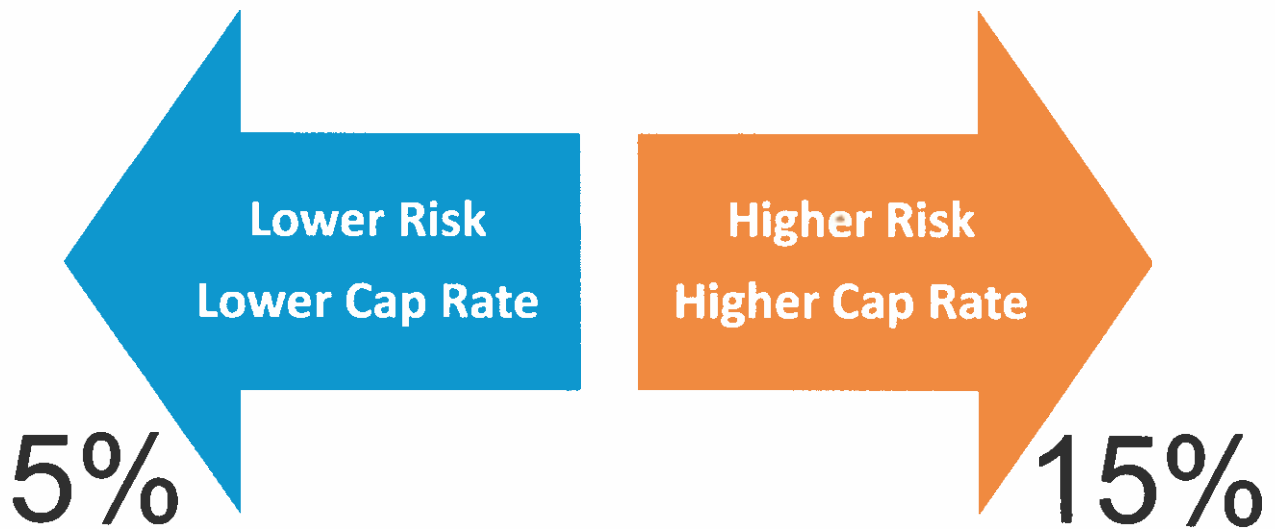
See **Appendix 1** in back of this manual for discussion question answers.

Section 4 – What is a Capitalization Rate?

4. Capitalization Rate Basics

- A capitalization rate expresses the relationship between net operating income and the sale price (value) of a property.
- It is an indirect measure of how fast an investment will pay for itself.
- The capitalization rate represents the percentage net operating income is in relation to the total property value.

Some investors refer to capitalization rates as a “risk rate”, as the cap rate reflects the amount of risk in an investment.



The relationship between income and value can be expressed a variety of perspectives:

- | | |
|--------------------|--------------------|
| • Land | • Debt |
| • Building | • Equity |
| • Overall property | • Overall property |

4.1. Types of Rates Used

Appraisers and assessors need to have a clear understanding of the different types of rates utilized in the Income Approach. This understanding will assist in proper development of values and discussing values with property owners. The definitions of each type of rate are provided below.

Capitalization Rate (R_o)

Any rate used to convert an estimate of future income to an estimate of market value; the ratio of net operating income to market value.²⁴

Yield Rate (Y_o)

(1) The return on investment applicable to a series of incomes that results in the present worth of each. Examples of yield rates are interest rate, discount rate, equity yield rate, and internal rate of return.

(2) The required rate of return on equity capital; a component of the capitalization rate (or discount rate or mortgage-equity overall rate) that must be separately specified in band-of-investment analysis and mortgage equity analysis.²⁵

Equity Capitalization Rate (R_E)

Equity component of an overall direct capitalization rate. Computed by dividing equity earnings by the market value of equity.²⁶

Equity Yield Rate (Y_E)

(1) The required rate of return on equity capital. A component of the capitalization rate (or discount rate or mortgage-equity overall rate) that must be separately specified in band-of-investment analysis and mortgage-equity analysis.

(2) The equity yield rate reflects all yield to equity, whether from annual cash flows or future reversions; considers the effect of debt financing on the cash flow of the equity investor.²⁷

²⁴ Glossary for Appraisal and Assessment, Second Edition, p. 26, International Association of Assessing Officers, 2013

²⁵ Ibid., p. 186

²⁶ Ibid., p. 61

²⁷ Ibid., p. 61

Mortgage Capitalization Rate (R_M)

Annual debt service expressed as a percentage of the initial principal amount of the loan; also called the *mortgage constant*.²⁸

Building Capitalization Rate (R_B)

A building capitalization rate is the sum of the recapture and return rates on an income-producing property. The rate applies only to the improved portion of a property.²⁹

Recapture Rate

The return of an investment; the annual amount that can be recaptured from an investment divided by the original investment; primarily used in reference to wasting assets (improvements).³⁰

Effective Tax Rate (ETR)

(1) The tax rate expressed as a percentage of market value; will be different from the nominal tax rate when the assessment ratio is not equal to 1.

(2) The relationship between dollars of tax and dollars of market value of a property. The rate may be calculated either by dividing tax by value or by multiplying a property's assessment level by its nominal tax rate.³¹

4.2. Names and Symbols

The IRV formula can be applied to land, building, mortgage, equity, and overall property components that are identified by a subscript letter, such as R_o .

Land

$$\begin{array}{ccccc} \text{Income} & \div & \text{Rate} & = & \text{Value} \\ I_L & \div & R_L & = & V_L \end{array}$$

Building

$$\begin{array}{ccccc} \text{Income} & \div & \text{Rate} & = & \text{Value} \\ I_B & \div & R_B & = & V_B \end{array}$$

Mortgage

²⁸ Ibid., p. 106

²⁹ Ibid., p. 22

³⁰ Ibid., p. 139

³¹ Ibid., p. 58

$$\begin{array}{ccccc} \text{Income} & + & \text{Rate} & = & \text{Value} \\ I_M & + & R_M & = & V_M \end{array}$$

Equity

$$\begin{array}{ccccc} \text{Income} & + & \text{Rate} & = & \text{Value} \\ I_E & + & R_E & = & V_E \end{array}$$

Overall Property

$$\begin{array}{ccccc} \text{Income} & + & \text{Rate} & = & \text{Value} \\ I_O & + & R_O & = & V_O \end{array}$$

The overall property value consists of the land and building components. The overall property value also consists of the mortgage and equity components. These concepts will be applied in **Section 5** to estimate the overall capitalization rate (R_O).

4.3. Components of a Capitalization Rate

In mass appraisal, the income analysis is typically developed exclusive of the property tax expense. The resulting net operating income (NOI, or I in the IRV formula) impacts the composition of the capitalization rate.

When working with NOI developed without real estate taxes taken as an expense, the remaining income includes income for real estate taxes. In these appraisal for property tax applications, the capitalization rate involves the following components:

- 1) Overall Yield Rate (Y_O)
- 2) Recapture Rate
- 3) Effective Tax Rate

4.3.1. Overall Yield Rate (Y_o)

The overall yield rate of return on a real estate investment over a holding period. As a result, it reflects multiple years of cash flows over time. The overall yield rate reflects the compensation necessary to attract investors to give up liquidity (converting the asset into cash), defer consumption, and assume the risks of investing.

The development of yield rates are discussed in greater detail in **Section 8**.

4.3.2. Recapture Rate

The rate of return of a real estate improvement. It is the annual dollar amount requirement for returning to the investor a sum equal to the property value at the end of a given period of time. It represents the straight-line depreciation rate for the improvement. Recapture is taken only on the improvement as land is a non-wasting asset. In order for an investor in a property to get a return of their investment, they must either sell the property for what it cost originally or earn enough income to recapture a portion of the original investment each year.

Recapture takes into consideration the remaining economic life (REL) of the property. The formula to calculate the recapture rate is:

$$\text{Recapture Rate} = 1 \div \text{Remaining Economic Life}$$

If you don't have the remaining economic life the formula to determine the REL is:

$$\text{REL} = \text{Total Economic Life} - \text{Effective Age}$$

The total economic life can typically be found in the jurisdiction's costing manual and the effective age is established by the appraiser when the property is field inspected.

Example:

A retail building has an effective age of 30 years, with a total economic life of 50 years and an indicated remaining economic life of 20 years ($50 - 30$). The recapture rate is calculated as follows:

$$1 \div 20 = 0.05 \text{ or } 5\%$$

A recapture rate of 5% means that 5% of the value is lost each year for the building's remaining 20 years.

4.3.3. Discussion Question – Recapture Rate

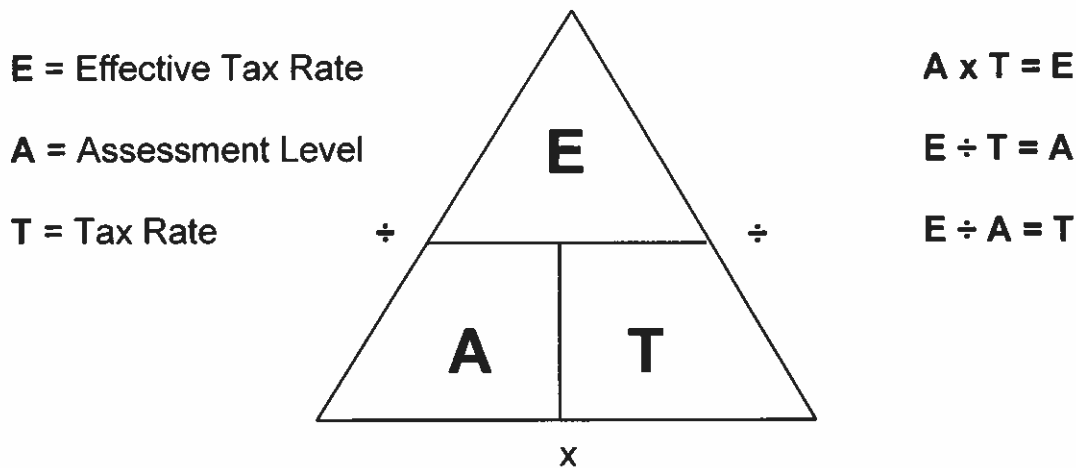
The subject property has a total economic life of 60 years with an effective age of 15 years. What is the recapture rate?

4.3.4. Effective Tax Rate

The rate expresses the ratio between the property value and the current tax bill. It expresses in percentage terms how much of the property's value is required to satisfy the annual tax burden on the property.

The effective tax rate (ETR) can be calculated two ways.

- 1) EAT formula: **Assessment Level x Nominal Tax Rate = ETR**
 - Each item must be in a decimal format.



The assessment percentage is the percent that property is taxed compared to its market value (appraised value). The assessment percentage can be calculated as follows:

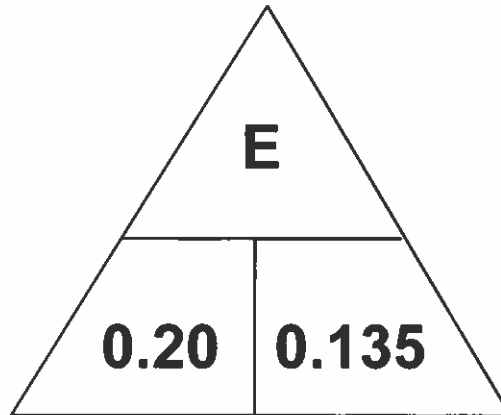
$$\text{Assessment Level} = \text{Assessed Value} \div \text{Market Value}$$

The nominal tax rate is the rate expressed in either mills or \$ per 100 and can be calculated as the nominal tax rate divided by 100. For \$ per thousand or mills, the nominal tax rate divided by 1,000.

Example:

Residential property is assessed at 20% of the fair market value. The current bill is based on a 135 mills.

Step 1: Convert mills to decimal: $135 \div 1,000 = 0.135$



Step 2: Apply EAT formula: $A \times T = E$

$$0.02 \times 0.135 = 0.027 \text{ or } 2.7\%$$

- 2) IRV formula: **Tax Bill \div Market Value (Appraised Value)**
- Each item must be in a decimal format.

Example:

An apartment complex has an annual tax bill of \$15,000 and market value of \$1,000,000.

$$\$15,000 \div \$1,000,000 = 0.015 \text{ or } 1.5\%$$

The tax bill can be determined by multiplying the property's assessed value (taxable value) by the taxing jurisdiction's nominal tax rate.

$$\text{Real Estate Taxes} = \text{Assessed value} \times \text{Nominal Tax Rate}$$

Example:

An apartment complex has market value of \$1,000,000 in a jurisdiction with a tax rate of 1.5%. What is the annual real estate tax bill?

$$\$1,000,000 \times 0.015 = \$15,000$$

4.3.5. Discussion Question – Effective Tax Rate

The subject property has a market value of \$150,000 with an assessed value of \$45,000. The tax rate for the jurisdiction is \$4.25 per 100. What is the effective tax rate?

See **Appendix 1** in back of this manual for discussion question answers.

4.3.6. Loaded Versus Unloaded Capitalization Rates

The difference between *loaded* and *unloaded* revolves around the application of an Effective Tax Rate (ETR). A capitalization rate that does not include the ETR is referred to as an *unloaded rate*. The use of an *unloaded* rate includes property tax as an expense in the income analysis.

A *loaded* capitalization rate with an ETR is appropriate when property tax is excluded as an expense. A loaded capitalization rate is typically what assessors/appraiser use in the mass appraisal process.

The appraiser who is appraising for real estate tax purposes must not make a deduction for real estate taxes. It is not possible to know the proper amount of real estate taxes until the amount of the assessed value is known. Thus, to make a deduction for real estate taxes, the appraiser would have to pre-suppose the amount of value in order to compute the amount of real estate taxes.

If done consistently, the values should come out the same. Just remember income must match rate and rate must match income. This means that if real estate taxes were subtracted as an expense, then the resulting net operating income will only include Yield Income and Recapture Income.

Effective Tax Rate (ETR) Application Example

Effective Tax	Without ETR	With ETR
Potential Gross Income (PGI)	\$200,000	\$200,000
Vacancy & Credit Loss	-20,000	-20,000
Effective Gross Income (EGI)	\$180,000	\$180,000
Operating Expenses		
Management Fee	\$9,000	\$9,000
Total Payroll & Burden	17,000	17,000
General & Administrative	10,000	10,000
Marketing & Promotion	3,000	3,000
Maint, Repairs & Contract Svcs	2,500	2,500
Total Utilities	10,000	10,000
Insurance	3,000	3,000
Real Estate Taxes	30,000	0
Replacement Reserves	0	0
Total Operating Expenses	\$84,500	\$54,500
Net Operating Income (NOI)	\$95,500	\$125,500
Cap Rate (Unloaded)	10.000%	10.000%
Add: ETR	0.000%	3.142%
Cap Rate (Loaded in Right Column)	10.000%	13.142%
Indicated Value	\$955,000	\$955,000

The example above demonstrates how *excluding* the real estate taxes and *loading* the cap rate with an ETR results in the same value indication.

4.3.7. ETR Application Tips

Fees appraisers, other real estate professionals, and property investors typically include real estate taxes as an expense. Be aware that the capitalization rates published in investor reports or other real estate publications reflect *unloaded* cap rates, with property taxes as an expense. Therefore, it is not the same as a *loaded* rate.

Some publications will indicate what the typical percentage used for the property tax. Be sure to check how the cap rates in the publication were developed so you are comparing apples to apples. This will be discussed further in **Section 7**.

If the cap rate data was developed using taxes as an expense and the appraiser is valuing for property tax purposes excluded property tax as an expense, then the cap rate should be loaded with an ETR. This is only appropriate if the lease terms have the landlord responsible for paying taxes.

Typical property types where the lease terms have the landlord paying taxes and ETR application is appropriate:

- Apartments
- Hotels
- Parking garages/lots
- Mini-storage
- Gross / Full-Service Leases
 - Office
 - Industrial

If the lease type is Triple Net, where the tenant is responsible for insurance, real estate taxes, utilities, and common area maintenance (CAM), then the tenant will be responsible for real estate taxes and the ETR is less of an issue. Triple net leases are typically found in newer retail, office, industrial, and single-tenant buildings.

There may be situations where the assessor/appraiser wishes to add a partial effective tax rate. Leases come in multiple forms. A gross lease means the landlord pays all the expense and should receive the full loaded rate. There are various types of net leases. Several property types may typically require the reimbursement of property tax to the landlord based upon the total taxes or their pro-rata share if a multiple-tenant building. The result can be a partial payment of property tax by the landlord.

Even in a true triple-net or absolute lease, an allowance for vacancy and collection loss is always allowed. It can be argued that if there is some projected vacancy, there are some property taxes that are the responsibility of the landlord.

However, real estate taxes will not be reimbursed to the landlord because of the Vacancy and Collection Loss adjustment applied in the analysis. There are two ways to handle this issue:

1) Account for the non-reimbursed items in the operating expenses,

or

2) Load the cap rate with a pro-rated ETR for vacancy/collection loss.

The appraiser should do only one of these options. If both are done, then the appraiser is double-dipping for the issue.

Method 1:

The typical lease type for a lot of newer or single tenant commercial real estate is Triple Net, where the tenant is responsible for utilities, real estate taxes, insurance and common area maintenance, while the landlord is responsible for management, structural maintenance/repairs and related administrative/general expenses.

The landlord is responsible for any triple net expenses not reimbursed during vacancy. In other words, if the market vacancy is 5%, then the landlord would be responsible for 5% of utilities, real estate taxes and insurance. As a result, owner expenses are typically minimal.

Expense Model Example 1**NNN Reimbursements Loss Due to Vacancy – \$/SF Model**

NNN Reimbursements Loss Due to Vacancy - \$/SF Model Example						
			Vacancy: 5%			
Expense	Exp \$/SF		Vac			\$/SF
Tax	\$5.00	x	5%	=		\$0.25
Ins	\$0.50	x	5%	=		\$0.03
CAMs	\$0.50	x	5%	=		\$0.03
Utilities As Vacant	\$0.50	x	5%	=		\$0.03
	Total NNN Reimb Loss Due to Vacancy					\$0.33
			Add: Admin & General			\$0.05
			Add: Structural Maint & Repair			\$0.10
					Total	\$0.48
			Model Conclusion			\$0.50

Expense Model Example 2
NNN Reimbursements Loss Due to Vacancy – % EGI Model

NNN Reimbursements Loss Due to Vacancy - % EGI Model Example					
Vacancy: 5%					
Expense	Exp % EGI		Vac		% EGI
Tax	30%	x	5%	=	1.5%
Ins	2%	x	5%	=	0.1%
CAMs	2%	x	5%	=	0.1%
Utilities As Vacant	2%	x	5%	=	0.1%
Total NNN Reimb Loss Due to Vacancy					1.8%
Add: Admin & General					2.0%
Add: Structural Maint & Repair					6.0%
Total					9.8%
Model Conclusion					10.0%

Method 2:

If the non-reimbursed expenses are not accounted for in the operating expenses, then a pro-rated ETR due to vacancy can be applied.

Example:

A multiple-tenant office building is leased on a triple-net basis with the tenants paying their pro-rata share of CAM (Common Area Maintenance) and property tax. The market data shows a 10% vacancy and collections loss and a cap rate of 7% (unloaded). The effective tax rate in the jurisdiction is 2.5%.

Unloaded Cap Rate:	0.0700
Pro-Rated ETR:	$0.10 \times 0.025 = 0.0025$
Loaded Cap Rate w/ETR:	0.0725
	or 7.25%

4.4. Management Expenses and Reserves for Replacements

How does the application of market rent reconcile with the sale price? A capitalization rate may be estimated using the buyer's expected (pro forma) net income at the time of sale.

Sellers and buyers have different orientations and not all experience the same expenses. Some owners manage the property themselves; some outsource the day-to-day management to a third party. Some owners mow the lawn for their tenants, while other owners pay a lawn care company to take care of it. The *actual* cap rates will vary in each of these scenarios depending upon the owner's decisions.

For example, a buyer may not deduct for a management fee or replacement allowance, but the appraiser develops the income analysis with a management fee and replacement allowance. The *actual* cap rate from that sale would differ from the *market* perspective as shown below.

Income & Expense Statement	Actual	Market
PGI	\$100,000	\$100,000
- V&C	\$10,000	\$10,000
+ MISC	\$5,000	\$5,000
EGI	\$95,000	\$95,000
General Expenses	\$15,000	\$15,000
Management		\$3,000
Replacement Allowance		\$2,500
- Total Exp	\$15,000	\$20,500
NOI	\$80,000	\$74,500
÷ Sale Price	\$1,000,000	\$1,000,000
Indicated Cap Rate	8.00%	7.45%

It is important that the way the cap rate is extracted from the market is consistent with the analysis applied by the appraiser. If the appraiser is applying a management fee and a replacement allowance, then the sales used to develop cap rates needs to include the same expense items.

4.5. Other Capitalization Rate Concepts

- 1) Capitalization rates and value have an inverse relationship. As the capitalization rate increases, the market value declines. As the capitalization decreases, the market value increases.
- 2) Composed of the return **on** rate and the return **of** rate. In real estate, return **on** is receiving income on the property, while return **of** is getting back the money spent to purchase the property.

While they are baked in the overall capitalization rate, there is not necessarily any separate identification of each of the rates included within the overall capitalization rate.

- 3) The overall cap rate reflects both the land rate and improvement rate components, but does not distinguish between the two. The overall capitalization rate is a weighted average of the land and improvement capitalization rates.
- 4) The overall cap rate reflects both the mortgage and equity components, but does not distinguish between the two. The overall capitalization rate is a weighted average of the mortgage and equity capitalization rates.
- 5) Cap rate extraction must match how the subject properties are analyzed.

When using comparable sales to develop capitalization rates, the itemized considerations of vacancy/collection loss, operating expenses, management, and replacement allowance must match the components applied in the appraiser's analysis for the subject property or mass appraisal model.

- 6) Capitalization rates can be based on historical NOI or the buyer's projections. It is important that the appraiser understand their impact on conclusions applied to the subject property or mass appraisal model.
- 7) Generally, as risk or inflation increases, the rate also increases.

4.6. Other Situations to Consider When Developing a Cap Rate

Buyer Expectations

Investors acquire properties based upon the expectation of benefits to accrue during their ownership period, including rent income and income from sale of the property at the end of the investment period (reversion). Capitalization rates implicitly or explicitly reflect buyer's expectations.

Rates based upon the purchaser's projection of income explicitly reflect buyer's expectations. Rates based on actual income, generally the performance of the previous twelve months or a recent fiscal or calendar year, may implicitly reflect the seller's expectation. If the property has achieved stabilized operations and the purchaser anticipates reasonable continuity of the historic income, the two cap rates may be highly similar.

Cap rates derived from future income projections may be based on different rent and expense assumptions, and as a result may differ significantly from rates derived from actual or historic income. Care must be taken in analyzing the underlying rationale such as planned property renovation or correction of deferred maintenance.

Sale Price Adjustments for Cash Equivalency, Deferred Maintenance and Renovations (Analysis Price)

After first making adjustments to arrive at a cash equivalent sale price, in all instances when available, make adjustments to the sale price for any renovation necessary including deferred maintenance. This results in an effective price paid from the buyer's perspective, which will align with the buyer's projected NOI after consideration of these items.

Adjusted Price for Favorable Financing

The sale price should be adjusted from any effect of favorable financing before calculating the cap rate.

Adjusted Price for Deferred Maintenance

In abstracting cap rate from a sale, the cost to cure deferred maintenance should be added to the sale price since this sum reflects the owner's initial investment. Such expenditures immediately after the sale may make the comparable align better with the subject properties being appraised.

4.7. Capitalization Rate Discussion Questions

- 1) *A cap rate expresses the relationship between what two things?*
- 2) *What are the different types of cap rates that can use the IRV formula?*
- 3) *When working with NOI developed without real estate taxes taken as an expense, the capitalization rate reflects what three components in the valuation for property tax purposes?*
- 4) *In what situations should an appraiser load the cap rate with an ETR?*

See **Appendix 1** in back of this manual for discussion question answers.

Section 5 – Ways to Develop a Capitalization Rate

5. General

A capitalization rate can be extracted from the market a variety of ways. This section will look closer at each method of developing a cap rate.

5.1. Comparable Sales Method

The use of sales is the preferred method to develop a capitalization rate. The primary overall capitalization rate (R_o) formula is:

$$R_o = \text{Net Operating Income} \div \text{Sale Price.}$$

This is a very simplified formula and care should be taken to examine the sale prices and net operating income of the sales that are used in this formula.

Example:

An office building recently sold for \$1,000,000 and had net operating income of \$80,000. The overall capitalization (R_o) rate would be:

$$\$80,000 \div \$1,000,000 = 0.0800 \text{ or } 8.00\%$$

This method is the preferred way to develop a cap rate because it brings market data (sales) into the analysis. Sales reflect the actions of buyers and sellers in the market and helps the appraiser to align with the definition of market value applied in the valuation process.

It is important to extract a capitalization rate from the sale data in the same way it is applied in the Income Approach. Considerations for Income, Vacancy Rate, Collection Loss, Miscellaneous Income, and Expenses need to be the same for the subject as the cap rates calculated from sales.

In other words, the capitalization rate be ***apples to apples*** with the Income Approach analysis developed for the subject property.

5.1.1. Discussion Question – Cap Rates Using Comparable Sales

The following sale data was obtained for Investment Class D Apartments in the market area. The landlord is responsible for paying real estate taxes under the lease agreements. The expenses include real estate taxes taken as an operating expense. The effective tax rate in the area is 2%. Develop both unloaded and loaded overall capitalization rates for your mass appraisal model from the market data.

Sale	Net Operating Income	Sale Price
1	\$13,650	\$150,000
2	\$16,650	\$180,000
3	\$10,800	\$120,000
4	\$12,320	\$140,000
5	\$10,980	\$122,000

See **Appendix 1** in back of this manual for discussion question answers.

5.1.2. Section of Comparable Sales

When selecting sales to use in the development of the overall capitalization rate the assessor/appraiser should take care to find sale properties that are comparable to your subject property. The following are primary comparability requirements to consider when selecting sales to apply in the analysis.

- 1) Use (retail cap rates should be used for retail subject properties, etc.)
- 2) Lease type and landlord expense responsibilities (Gross or Net)
 - a. **Gross lease** – Typically, the landlord is required to pay all operating expenses associated with the real estate. Gross leases are common for office buildings, mixed-use commercial buildings, and/or older multitenant properties.
 - b. **Net lease** – The tenant is required to pay all or part of the operating expenses associated with the real estate. In a single net, double net, or triple net lease the tenant pays some or all the property expenses.
 - c. Cap rates for gross lease properties can be higher than their net lease counterparts due to more risk for the landlord, as the landlord has to absorb expense fluctuations over time.

3) Physical features

- a. Age (remaining economic life)
- b. Quality
- c. Condition
- d. Amenities

4) Operating characteristics

- a. Rent/SF or rent/unit
- b. Vacancy & Collection Loss
- c. Expense ratios – Formula:

$$\text{Operating Expenses} \div \text{Effective Gross Income}$$

$$\text{Example: } \$37,000 \text{ OE} \div \$95,450 \text{ EGI} = 0.39 \text{ or } 39\%$$

5) Land-to-Building Value Ratios. Can be calculated in two different methods:

- a. Total property value divided by land value. Example: $\$1,200,000 \div \$320,000 = 3.75$. One part is land therefore the land-to-building ratio would be 1:2.75.
- b. Calculated by land value divided by sale price to determine the percent of value land contributes to the overall property value. Example: $\$320,000 \div \$1,200,000 = 0.27$ or 27%.

In single property appraisal, the sale(s) that is (are) most similar to the subject property should be weighted in the cap rate conclusion.

In mass appraisal, the median cap rate of a large data set should be given weight for setting metrics in the income model. Income models should be stratified by property type and investment classification or property grade (market segment).

5.1.3. Discussion Question – Selecting a Cap Rate Using Comparable Sales

Your assignment is to appraise a 15-year-old, 25 unit apartment complex with a 25 year remaining economic life. The land-to-building ratio in the neighborhood is 1 to 3 and the property has a 52% expense ratio. Develop an overall capitalization rate for the subject property using the following sale data.

Sale	PGI	V&C	Total Exp	REL	Land Value	Sale Price
1	\$410,000	\$20,500	\$202,250	22	\$525,000	\$2,100,000
2	\$348,000	\$17,400	\$173,520	25	\$505,800	\$1,964,200
3	\$450,000	\$22,500	\$197,500	21	\$510,000	\$2,550,000

See **Appendix 1** in back of this manual for discussion question answers.

5.1.4. Investment Classification (Market Segmentation)

Mass appraisal of commercial property includes property stratification and market segmentation of the properties appraised and the data being analyzed. Using an investment classification system will assist the appraiser in this process.

Using an Investment Class system allows the appraiser to organize conclusions for rental rates, expenses and capitalization rates, as indicated appropriate by the market. Doing this puts the data into groups of similar features and promotes accuracy in valuation.

A properly applied Investment Class system includes definitions that outline the criteria for each Investment Class and is used by the jurisdiction. Having a well-defined investment class takes the subjectivity out of the process. The following Investment Class rating criteria example utilizes an A-B-C-D scale, but a jurisdiction use a Good-Average-Fair scale for market segmentation.

Class A

An Investment Class A commercial property may include the following:

- Rents falling in the upper quartile for properties for the market area.
- Good condition for the age (a well-maintained; no deferred maintenance).
- An effective age less than 10 years.
- First generation tenant or user.
- Contemporary design and/or above average quality construction materials.
- Traffic counts for submarket or subject's frontage are above the average for market area.
- Site access has two or more vehicular points and/or corner location.
- Location in a submarket that has occupancy and/or rental rates above typical for general market area.
- Location in area of on-going commercial growth or high density of commercial development.

Class B

An Investment Class B commercial property may include the following:

- Rents falling between the median and upper quartile for properties for the market area.
- Average to good condition for the age (maintained; minimal deferred maintenance).
- An effective age between 10 and 20 years.
- First generation tenant or user.
- Traffic counts for submarket or subject's frontage are above the average for market area.
- Site access has two or more vehicular points and/or corner location.
- Location in a submarket that has occupancy and/or rental rates above typical for general market area.
- Location in area of on-going commercial growth or high density of commercial development.

Class C

An Investment Class C commercial property may include the following:

- Rents falling between the median and lower quartile for properties for the market area.
- Fair to Average condition for the age (some deferred maintenance).
- An effective age between 20 and 30 years.
- May have a dated design with functional issues, average or low-cost quality construction materials.
- Second generation tenant or user.
- Traffic counts for submarket or subject's frontage are below the average for market area.
- Primary frontage on a Secondary Artery.
- Site access has one vehicular point and/or non-corner location.
- Location in a submarket that has occupancy and/or rental rates at or below typical for general market area.
- Location in a stable to declining submarket area.

Class D

An Investment Class D commercial property may include the following:

- Rents falling below the lower quartile for properties for the market area
- Poor to fair condition, deferred maintenance property
- An effective age greater than 40 years
- Dated design with functional issues, average or low-cost quality construction materials
- Second or third generation tenant or user
- Traffic counts for submarket or subject's frontage are below the average for market area
- Primary frontage on a Secondary Street
- Site access has one vehicular point and/or non-corner location
- Subject has a rental below average figures for all property classes in submarket
- Location in a submarket that has occupancy and/or rental rates at or below typical for general market area
- Location in a stable to declining submarket area

5.1.5. Analyzing Large Data Sets

Whether it is establishing the income, expense or capitalization rate, the best method of selecting the appropriate number is by use of the median of the data sets.

The data for each market segment must be arrayed first by placing the data in numeric order either from lowest to highest. Next, the median or mid-point can be selected.

Calculation of the mean (average) would be appropriate to show either support for the median or that the data is greatly dispersed. The mean is simply the arithmetic average. That is, sum the data points and divide by the number of the occurrences.

An example of determining the median and mean from capitalization rate data is shown below.

Cap Rate Data:

8.3% 9.2% 6.5% 8.5% 9.0% 13.5% 10.0% 8.9% 9.2%

Sum of Sample: 83.1 **Sample Size (n):** 9

There is an odd number in the sample of 9. The midpoint in which an equal number occurs above and below that midpoint can be determined by using the formula of: $(n \div 2) + 0.5$. The (n) is the number of occurrences in the sample. So it would work as follows:

$$(9 \div 2) + 0.5$$

$$4.5 + 0.5 = 5 \quad \text{5th number in the occurrence}$$

Arraying the data reveals the following.

6.5% 8.3% 8.5% 8.9% **9.0%** 9.2% 9.2% 10.0% 13.5%

Median = 9.0%

Mean = 9.2%

If there were 10 in the sample, then you would have:

$$(10 \div 2) + 0.5$$

$5 + 0.5 = 5.5$ or the number that is halfway between the 5th and 6th occurrence. That would be calculated by adding the two occurrences together and divide by 2.

5.2. Band of Investment, Mortgage-Equity Method

In some cases, there may not be sufficient sale data available from which a cap rate can be extracted.

Additional support can be offered from a band-of-investment analysis that looks at rates of return for debt and equity positions of the property. Interviews with local and regional lenders who are active with commercial loans can provide information on typical interest rates and loan terms to apply in the analysis.

The Band-of-Investment technique of developing a cap rate recognizes how most properties are acquired using debt and equity capital. Accordingly, the cap rate must satisfy the return requirements of both positions (debt and equity):

- Lenders seek a reasonable rate that is proportionate with to the risk of the investment (**mortgage**) before making funds available, and the principal must be repaid through amortization payments.
- **Equity** investors (the borrower) similarly look to obtain a competitive cash-on-cash return on par with the risk of the investment, or they will place their funds in alternative investments.

In the Band-of-Investment model, the overall rate reflects a composite rate, weighted in proportion to the total property investment represented by debt and equity, or a weighted average of the mortgage capitalization rate (R_M) and the equity capitalization rate (R_E).

The Band-of-Investment method utilizes the following variables:

R = Rate to the **Mortgage** position and rate to the **Equity** position:

R_M = **Mortgage** Constant (a.k.a. mortgage cap rate)

R_E = **Equity** Rate (Cash-on-Cash or Equity Dividend)

R_o = Overall Capitalization Rate (for both **Mortgage & Equity**)

M = Mortgage Loan-to-Value (LTV) Ratio

Loan Amount for Sale = Sale Price - Down Payment (**Equity**)

An example Commercial Mortgage Lender Survey is shown as **APPENDIX 3** at the end of this manual.

The formula for the Band-of-Investment technique is outlined below.

Position	M	x	R	=	Wtd Rate
Debt	LTV %	x	R_M	=	A
Equity	Down PMT %	x	R_E	=	B
Total (R_o)					A + B

Example:

A recent survey of lenders active in apartment loans revealed that interest rates average 6.0% on a 25-year amortization schedule. With monthly payments, the monthly mortgage constant is 0.00644. The survey also indicated that equity cap rates are averaging 10%.

Typical loans are made at 75% loan-to-value ratios and is attributed to debt. The remainder (100% – 75%) is the down payment, or 25% equity.

Most loans are calculated with monthly payments, thus the mortgage constant is figured in monthly terms, called the *monthly mortgage constant*. Since the analysis is always done from the *annual* perspective, the monthly mortgage constant must be annualized by multiplying by 12 months:

$$R_M = 0.00644 \times 12 \text{ months} = \underline{\underline{0.0773}}$$

The following band of investment capitalization rate is indicated.

Band-of-Investment Capitalization Rate Calculations

Position	M	x	R	=	Wtd Rate
Debt	0.75	x	0.0773	=	0.0580
Equity	0.25	x	0.1000	=	0.0250
Total (R_o)					0.0830
As a Percent					8.30%

The indicated capitalization rate is 8.30%. If the ETR for the Taxing Unit Group of the property appraised is 1.70%, then the *loaded cap rate* would be 10.00%.

Rounding Suggestions

In most of the math for cap rate calculations, the appraiser should use at least four decimal places. This allows the appraiser to round to two decimal places when using a percentage, as indicated in the right column in the previous example.

The only exception may be when applying the mortgage constant (R_M), which can include several places to the right of the decimal. Mortgage constants have several decimal places so that they can have a precise payment when applied to a large loan amount. If the monthly mortgage constant goes out seven decimal places, use all seven digits provided when multiplying by 12 months, but the answer can be rounded to four decimal places.

ETR Considerations

Since lenders and banks underwrite loans with the assumption that the borrower will pay all expenses, including real estate taxes, the cap rate indication by the Band-of-Investment, Mortgage-Equity technique results in an *unloaded* cap rate.

As a result, the cap rate needs to be *loaded* if the rent used in appraiser's analysis has the *landlord responsible for paying taxes* and the expense analysis *excludes* real estate taxes as an expense.

In other words, if the analysis uses a Gross Lease for a commercial building or the property is an apartment complex where the landlord pays for taxes, the appraiser must *load* the cap rate with an ETR.

5.2.1. Discussion Question – Band of Investment, Mortgage-Equity

A recent survey of lenders active in multifamily loans revealed that interest rates average 5.5% on a 25-year amortization schedule. Apartment loans are done with monthly payments and the monthly mortgage constant is 0.00675 with loans made at 70% loan-to-value ratios. The survey also indicated that equity cap rates are averaging 12%. The ETR for your subject property is 2.98%. Use this information to develop a loaded capitalization rate for your subject property.

See **Appendix 1** in back of this manual for discussion question answers.

How to Develop the Mortgage Constant Using an HP-12c Calculator

If you have an interest rate that is not shown in the compound interest tables, you could find the mortgage constant by use of a financial calculator. The steps by using a HP12C are shown below for a 6% interest rate that is paid monthly.

Step	Explanation	Key Stroke	Display
1	Clear memory	GOLD f CLX	0.0000
2	Enter number of periods	15 g n	180.0000
3	Enter interest rate	6 g i	0.5000
4	Enter PV	1 CHS PV	1.0000
5	Solve for monthly mortgage constant	PMT	0.0084
6	Solve for annual mortgage constant	12 x	0.1013

Factors Influencing Interest Rate and Amortization Payback Period (Loan Terms)

Just like investors, banks look at risk associated with the proposed real estate loan. Some of the considerations of commercial real estate lenders:

- **Credit of the Borrower**

- High net worth investors with substantial assets and cash receive the lowest interest rates available
- Low net worth investors with few assets and low cash reserves receive the highest interest rates available

- **Lease Term**

- Lenders like to match loan terms with the lease term.

Example:

An owner of a new single-tenant retail building recently signed a 10-year lease. The lender would be willing to amortize the loan over 25 years, with a balloon payment due in 10 years.

- **Remaining Economic Life (Age of the Building)**

- Lenders will not allow the pay-back term to be longer than the property's remaining economic life (REL).

Example:

An owner of an industrial building built in 1950, with 5 years of remaining economic life. The lender would be willing to amortize the loan over 15 years, with a balloon payment due in 5 years.

5.2.2. Discussion Question – Band of Investment, Mortgage-Equity

Banks in your jurisdiction are lending at 75% of the purchase price for 20 years at 9% interest with monthly payments. The annual mortgage constant is 0.107967. The investor requires an equity dividend of 12% on the remaining 25% to make the investment worthwhile. What is the unloaded capitalization rate?

See **Appendix 1** in back of this manual for discussion question answers.

Finding Equity Capitalization Rates

Equity cap rates can be difficult to obtain, but can be done if the loan terms for the property sold. Let's expand the example from the beginning of this section.

Example:

An office building recently sold for \$1,000,000 and had net operating income of \$80,000. The overall capitalization (R_o) rate would be:

NOI		Sale Price		Cap Rate
\$80,000	÷	\$1,000,000	=	0.0800 or 8.00%

The buyer put 20% down or \$200,000, with the remaining \$800,000 financed. The annual debt service is \$60,000. The equity income can be calculated as follows:

NOI (I_o)	\$80,000
Less: Mortgage Income (I_M)	<u>-\$60,000</u>
Equity Income (I_E)	\$20,000

The down payment of \$200,000 represents the value of the equity (V_E). The \$800,000 loan represents the value of the mortgage (V_M). With the incomes and values for the mortgage and equity, the rates can be calculated with the IRV formula:

Rate	I		V		R
Equity Cap Rate	\$20,000	÷	\$200,000	=	10.00%
Mortgage Cap Rate	\$60,000	÷	\$800,000	=	7.50%

The mathematical proof for the band of investment formula is shown below:

Position	M	x	R	=	Wtd Rate
Debt	0.80	x	0.0750	=	0.0600
Equity	0.20	x	0.1000	=	0.0200
Total (Ro)					0.0800
As a Percent					8.00%

At times the assessor/appraiser may be able to back into the Equity Rate. During discussions with a buyer of a property, the buyer indicates they purchased the property at a 10% cap rate. If we know the loan terms were 70% loan-to-value and a mortgage constant of 0.077316, we can calculate what the implied Equity Rate (R_E) is.

Position	M	x	R	=	Wtd Rate
Debt	0.70	x	0.077316	=	0.0540
Equity	0.30	x		=	?
Total (Ro)					0.1000

Step 1: $0.10 - 0.054 = 0.046$

Step 2: $0.046 \div 0.30 = 0.1533$ Equity Rate

Therefore, the grid would now be:

Position	M	x	R	=	Wtd Rate
Debt	0.70	x	0.077316	=	0.0540
Equity	0.30	x	0.153300	=	0.0460
Total (Ro)					0.1000

5.3. Deb-Coverage Ratio Method

The debt coverage ratio (DCR) method derives an overall capitalization rate by blending the typical market debt coverage requirements of lending institutions with the yield return of the borrowed capital. The debt coverage ratio shows the capacity of the investment to generate sufficient income to service the debt on the property.

Use of this method generally reflects the investment value to a lender and it may not fully reflect typical market terms available. When looking for capitalization rates on the internet you will generally find a rate developed using the DCR method.

This method is a two-step process.

Step 1:

Determine the debt coverage ratio by taking the net operating income divided by the annual debt service. The annual debt service is the principal and interest payments added together.

$$\text{DCR} = \text{Net Operating Income} \div \text{Annual Debt Service}$$

Step 2:

The overall capitalization rate can then be determined by using the following formula:

$$R_o = \text{DCR} \times M \times \text{Annual Mortgage Constant } (R_M)$$

The M reflects the loan-to-value ratio.

The annual mortgage constant (R_M) reflects the mortgage loan constant necessary to amortize the loan including principle and interest. The mortgage constant can be found by using the compound interest tables (column 6 – Installment to Amortize). You will need to know the appropriate discount rate and term of the loan.

The annual amount of debt service (principal and interest) can be calculated by multiplying the loan amount times the annual mortgage constant. When the payments are monthly, the monthly mortgage constant must be used and then multiplied times 12 to annualize.

Example:

Assume that a property's net operating income is \$800,000 and the annual debt service is \$600,000. A mortgage can be obtained to finance 75% of the property's value and the annual mortgage constant is 0.1119. What is the overall capitalization rate using the DCR method?

$$\text{DCR} = \$800,000 \div \$600,000 = 1.33$$

$$R_o = 1.33 \times 0.75 \times 0.1119 = 0.1116 \text{ or } 11.2\%$$

5.3.1. Discussion Question – Debt-Coverage Ratio Method

The subject property has an annual interest payment of \$449,500 and a principal payment of \$62,500. The subject's net operating income is \$700,000. Lending institutions are currently using a loan-to-value ratio of 75% and the annual mortgage constant is 0.07327. What is the overall capitalization rate using the DCR method?

See **Appendix 1** in back of this manual for discussion question answers.

5.4. Cap Rates Using the Jurisdiction's Income Model

The mass appraiser can also develop a cap rate indication by utilizing the jurisdiction's Income Approach for the respective properties at the time of sale to obtain a Fee Simple capitalization rate (at market).

If the jurisdiction's income model is based on market rent, market vacancy / collection loss, and market expenses, then a market (Fee Simple) capitalization rate should result.

The appraiser uses the NOI estimate from the most current valuation cycle prior to the sale date that is stored in the Computer Assisted Mass Appraisal (CAMA) system or other electronic storage form used by the assessment jurisdiction.

The formula is similar to extracting capitalization rates from comparable sales:

$$\text{Cap Rate (Ro)} = \text{NOI Estimate from CAMA Income Approach} \div \text{Sale Price}$$

All real estate appraisal texts emphasize the importance of having the income and expenses from the sale be consistent with how the income and expenses are applied in the NOI estimate for the subject property.

One of the challenges for appraisers is to reconcile the actual cap rate from the market with the income analysis for the subject property. One of the benefits of using this method is that *the indicated cap rates will exactly match the income and expense categories in the model.*

The process may involve some sales that were purchased for owner-occupancy, but if the sale is a valid, open-market sale consistent with the definition of market value, then the buyer and seller would be knowledgeable about the market. In many cases, these buyers are making lease versus buy versus build decisions.

Some sale prices may need to be adjusted to cash equivalency based on conditions of sale, such as property rights transferred (fee simple), long-term/credit tenant leases, or expenditures made immediately after the sale. Sales with long-term leases to credit-tenants may need to be excluded if supported adjustments cannot be made.

The process involves segregating the sales by income use group developed in the mass appraisal, then sorting by Investment Class or other property ranking/market segment system used.

The following is a sample cap rate extraction using actual sales from a medium sized jurisdiction (2,600 commercial parcel count) for the 2020 tax year.

Example – Fee Simple Cap Rates Using the Jurisdiction’s Income Model

Inc Use Group	Inv Class	Yr Blt	Sale Date	NLA SF	Total Model NOI	Analysis Price	Analysis Base Cap Rate
Apartments	A	2004	12/27/2018	48,874	\$227,491	\$2,975,000	6.09%
Apartments	A	2013	8/30/2019	114,935	\$757,854	\$11,150,000	5.24%
Apartments	A-	2009	4/23/2019	374,161	\$2,793,409	\$35,292,000	6.36%
Apartments	A-	2008	8/30/2019	37,236	\$263,155	\$4,750,000	3.98%
Apartments	B	1993	10/7/2019	80,587	\$458,458	\$5,600,000	6.63%
Apartments	B	2000	10/7/2019	17,205	\$141,648	\$1,700,000	6.77%
Apartments	B	1987	10/8/2019	305,953	\$1,930,677	\$25,420,000	6.04%
Apartments	B-	1966	8/28/2019	19,107	\$92,473	\$1,290,000	5.61%
Apartments	C+	1975	3/27/2019	4,480	\$28,116	\$315,000	7.10%
Apartments	C+	1982	3/14/2019	6,444	\$31,796	\$400,000	6.39%
Apartments	C	1977	1/11/2019	18,564	\$86,401	\$1,000,000	7.08%
Apartments	C	1964	3/27/2019	25,848	\$101,526	\$1,475,000	5.32%
Apartments	C	1963	6/5/2019	14,355	\$79,064	\$858,000	7.65%

Example – Fee Simple Cap Rates Using the Jurisdiction's Income Model

Inc Use Group	Inv Class	Yr Blt	Sale Date	NLA SF	Total Model NOI	Analysis Price	Analysis Base Cap Rate
Industrial	A-	2008	7/30/2019	27,160	\$175,906	\$1,825,000	6.58%
Industrial	B	1975	1/15/2019	16,000	\$73,680	\$900,000	4.81%
Industrial	B	1940	1/29/2019	8,676	\$54,469	\$495,000	8.08%
Industrial	B	2001	5/10/2019	3,080	\$16,092	\$158,000	6.78%
Industrial	B	2006	6/12/2019	4,500	\$26,183	\$356,017	7.35%
Industrial	B-	2001	3/28/2019	9,560	\$65,048	\$530,000	8.89%
Industrial	B+	1986	4/30/2019	2,976	\$17,634	\$205,000	5.20%
Industrial	C	1975	9/30/2019	9,144	\$42,111	\$355,000	8.48%
Industrial	C+	1970	2/14/2019	3,532	\$12,415	\$135,000	9.20%
Industrial	D	1969	1/3/2019	8,700	\$24,756	\$250,000	9.90%
Office	B+	2000	4/16/2019	6,006	\$53,703	\$757,500	7.09%
Office	C	1965	12/22/2018	1,888	\$15,236	\$155,000	9.83%
Office	C+	1988	2/27/2019	16,611	\$134,994	\$1,250,000	10.80%
Office	C+	1990	5/30/2019	2,172	\$17,042	\$225,000	7.57%
Office	D	1993	8/2/2019	90,879	\$488,935	\$5,356,250	9.50%
Office	D+	1975	6/24/2019	2,364	\$13,021	\$100,000	8.97%
Restaurant	A-	2010	11/9/2018	2,414	\$49,766	\$600,000	8.29%
Restaurant	C+	1994	12/5/2018	4,119	\$43,077	\$475,000	9.07%
Restaurant	D	1974	12/28/2018	5,878	\$66,003	\$575,000	11.48%
Retail	A	2016	8/21/2019	9,100	\$82,850	\$1,299,000	6.38%
Retail	A+	2018	3/22/2019	2,385	\$86,943	\$1,432,000	6.07%
Retail	B-	1975	12/30/2018	2,480	\$22,297	\$350,000	6.37%
Retail	C	1982	2/1/2019	1,600	\$11,870	\$130,000	9.13%
Retail	C+	1980	4/1/2019	5,244	\$51,205	\$550,000	9.31%
Strip Center	B-	2001	5/15/2019	14,560	\$94,548	\$1,120,911	8.43%
Strip Center	C+	1999	4/18/2019	56,488	\$398,028	\$4,254,249	9.36%
Strip Center	C	1983	5/22/2019	20,540	\$155,482	\$875,000	9.14%
Strip Center	D	1959	8/28/2019	114,336	\$732,497	\$6,675,000	7.59%

Analysis base cap rate means before Effective Tax Rate (ETR) is applied.

5.5. Surveys and Secondary Data Sources

Surveys and secondary data sources can be viable options to bolster the income analysis. Since most investor surveys focus on primary market areas with larger populations, the survey data is more meaningful for larger jurisdictions. Even if the appraiser is working in a small or rural market area, investor publications are resources to provide insight on market trends and what is relevant in the current market.

There are several national real estate brokerage firms who publish annual, semi-annual, and sometimes quarterly reports that address the investor market for commercial real estate. These reports help provide insight into current trends in different use groups and information on capitalization rates that can be used in the Income Approach to value.

Mass appraisers can also reach out to our peers in the single-property appraisal field to help us determine trends and benchmarks for capitalization rates. Refer to Appraiser Survey sample found in **Appendix 3** at the back of this manual.

5.5.1. Caution Using Publications on Net Lease Investments

In most net lease offerings for retail and other long-term lease properties, the reported capitalization rate is typically based solely on the rent, or

$$\text{Rent} \div \text{Sale (Asking) Price.}$$

In other words, most capitalization rates for triple net and absolute net property listings for sale HAVE ZERO EXPENSES TAKEN.

The listings on the following page reflect the actual capitalization rate listed in the asking price, which based solely on the current contract rent as of the listing date. The listing information does not account for the effective rent or any increases in rent during the term of the lease.

INDUSTRIAL LISTINGS – CAP RATE BASED ON RENT ONLY

Tenant	Location	Price	Cap Rate	Property Type	Remaining Term (Yrs)
Raley's Production Bakery	West Sacramento, CA	\$20,400,000	5.00%	Industrial	6.9
Maxim Crane Works	Hubbard, OR	\$6,417,391	5.75%	Industrial	11
Maxim Crane Works	Texas City, TX	\$3,336,644	5.90%	Industrial	8
UPS	Danville, VA	\$1,416,667	6.00%	Industrial	2.7
Maxim Crane Works	Port Lavaca, TX	\$705,049	6.10%	Industrial	10.5
BAE Systems	Fort Walton Beach, FL	\$10,215,000	6.50%	Industrial	7
Treatment Technology (Sale/Leaseback)	Frederick, CO	\$2,850,000	6.50%	Industrial	15
Gravotech	Duluth, GA	\$7,250,000	6.62%	Industrial	5
Amazon Last-Mile Delivery Station	Akron, OH	\$3,870,000	6.65%	Industrial	6
FedEx Freight	East Syracuse, NY	\$9,198,222	6.75%	Industrial	4
Master Halco	Midway, FL	\$1,392,000	6.75%	Industrial	5
Anthony Machine (Sale-Leaseback)	San Antonio, TX	\$4,250,000	7.25%	Industrial	10
Rockwell Automation, Inc.	Richland Center, WI	\$3,825,000	7.50%	Industrial	5.4
IMI Fluid Kinetics	Winfield, KS	\$3,085,714	8.75%	Industrial	6.8
FedEx Ground	Jonesboro, AR	\$3,345,478	10.35%	Industrial	2.5

The above capitalization rates are solely based on the rent in place divided by the asking price. What if the jurisdiction's income model accounts for vacancy and collection loss at 5%, management fees at 3% and typical owner expenses at 10%?

CAP RATES ADJUSTED TO MODEL EXPENSES

Comp	PGI	5% V & C	EGI	3% Mgmt	10% Owner Exp	Total Exp	NOI	Asking Price	Adj'd Cap Rate to Model
1	\$1,020,000	\$51,000	\$969,000	\$29,070	\$96,900	\$125,970	\$843,030	\$20,400,000	4.13%
2	\$369,000	\$18,450	\$350,550	\$10,516	\$35,055	\$45,571	\$304,978	\$6,417,391	4.75%
3	\$196,862	\$9,843	\$187,019	\$5,611	\$18,702	\$24,312	\$162,706	\$3,336,644	4.88%
4	\$85,000	\$4,250	\$80,750	\$2,423	\$8,075	\$10,498	\$70,253	\$1,416,667	4.96%
5	\$43,008	\$2,150	\$40,858	\$1,226	\$4,086	\$5,311	\$35,546	\$705,049	5.04%
6	\$663,975	\$33,199	\$630,776	\$18,923	\$63,078	\$82,001	\$548,775	\$10,215,000	5.37%
7	\$185,250	\$9,263	\$175,988	\$5,280	\$17,599	\$22,878	\$153,109	\$2,850,000	5.37%
8	\$479,950	\$23,998	\$455,953	\$13,679	\$45,595	\$59,274	\$396,679	\$7,250,000	5.47%
9	\$257,355	\$12,868	\$244,487	\$7,335	\$24,449	\$31,783	\$212,704	\$3,870,000	5.50%
10	\$620,880	\$31,044	\$589,836	\$17,695	\$58,984	\$76,679	\$513,157	\$9,198,222	5.58%
11	\$93,960	\$4,698	\$89,262	\$2,678	\$8,926	\$11,604	\$77,658	\$1,392,000	5.58%
12	\$308,125	\$15,406	\$292,719	\$8,782	\$29,272	\$38,053	\$254,665	\$4,250,000	5.99%
13	\$286,875	\$14,344	\$272,531	\$8,176	\$27,253	\$35,429	\$237,102	\$3,825,000	6.20%
14	\$270,000	\$13,500	\$256,500	\$7,695	\$25,650	\$33,345	\$223,155	\$3,085,714	7.23%
15	\$346,257	\$17,313	\$328,944	\$9,868	\$32,894	\$42,763	\$286,181	\$3,345,478	8.55%

While appraisers may be surprised about how low the advertised capitalization rates for net lease properties are in comparison to other property types, if the cap rate is adjusted to the same perspective as the jurisdiction's model, the cap rates are even lower. This adjustment is sometimes necessary to put the data in the same *apples to apples* perspective as the Income Approach analysis.

Capitalization rates for net lease properties are typically lower than other conventional commercial uses (apartments, strip retail, etc.) due to the long term lease with a credit tenant.

If the expense analysis includes a Replacement Allowance (Replacement Reserves) in the Operating Expenses, then the cap rates extracted from the market (sales) need to have them included in the expenses and respective NOI for the cap rate calculation on the sale price.

Insight on the market can be implied by the sale data itself, as well as interviews with the buyer, sellers, agents, and other market participants involved with the transaction.

5.6. Summary and Reconciliation of Capitalization Rates

After multiple perspectives are taken from the market, the appraiser can then reconcile the data to determine conclusions for the model. The following sample is for an apartment capitalization rate study.

2024 Capitalization Rate Study Summary - Apartment Use

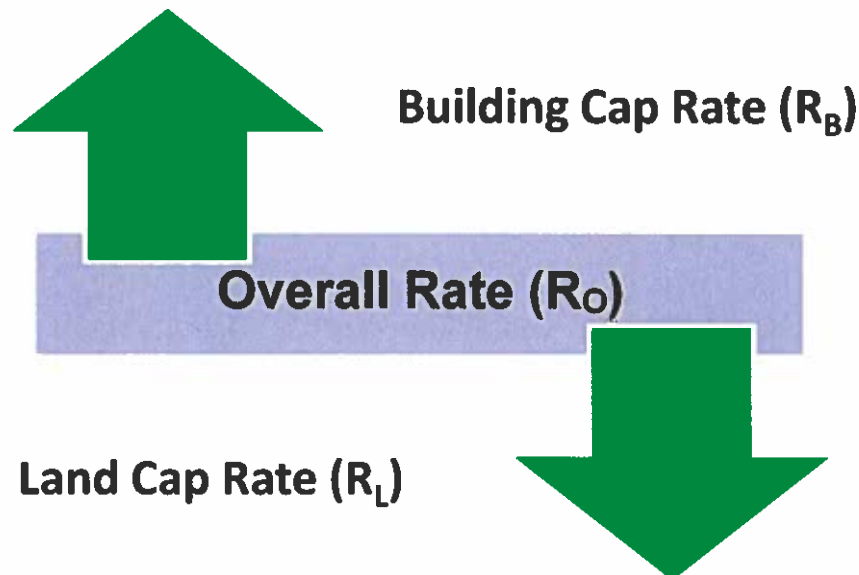
Fee Appraiser Surveys			IRR Viewpoint		CBRE H2 2022		
			2023 Mid-Year (Sept 2023)				
Apartment Respondent #1	Cap Rate	Trend	Apartment Central Region	Cap Rate	Class A Stabilized	Cap Rate	
	6% - 9%		Urban Class A	5.63%	Kansas City - Infill	4.5% - 4.75%	
Respondent #2	6% - 8.5%	Increasing	Urban Class B	5.67%	Kansas City - Suburban	4.5%-4.75%	
			Suburban Cl A	6.50%	Class A Value-Add		
			Suburban Cl B	6.54%	Kansas City - Infill	5% - 5.25%	
					Kansas City - Suburban	5% - 5.25%	
SitusAMC Real Estate Report Midwest Investment Criteria - 3Q 2023							
	Midwest	Midwest	Kansas City	Kansas City			
First Tier Inv Properties	Apts	Student Hsg	Apts	Student Hsg	First-tier investment properties are defined as newer newer quality construction in prime to good locations.		
Range	5.0% - 6.5%	6.0% - 6.8%					
Average	5.80%	6.40%	6.00%	Not Avail			
Second Tier Inv Properties	Apts	Student Hsg			Second-tier investment properties are defined as aging, former first-tier properties, in good to average locations.		
Range	6.3% - 8.3%	7.0% - 8.3%					
Average	7.00%	7.50%					
Third Tier Inv Properties	Apts	Student Hsg			Third-tier investment properties are defined as older properties with functional inadequacies and/or in marginal locations.		
Range	7.0% - 10.0%	8.0% - 12.0%					
Average	8.00%	9.10%					
Market Extraction: 2018-2023 County Sales							
Actual Cap Rate - OR- Estimated with County Income Model							
Apartment	# of Sales	Low	Lower	Median	Average	Upper Quartile	High
Class A	13	3.61%	4.25%	5.19%	5.10%	6.09%	6.58%
Class B	31	3.70%	5.32%	5.98%	5.85%	6.58%	7.02%
Class C	15	3.94%	5.58%	6.96%	6.59%	7.58%	8.82%
Class D	3	5.35%	5.39%	5.42%	6.38%	6.90%	8.38%
All Apt Sales	62	3.61%	5.18%	5.87%	5.90%	6.62%	8.82%
Cap Rate Summary - All Uses (2018-2023)							
All Dg Co CRE	# of Sales	Low	Lower Quartile	Median	Average	Upper Quartile	High
Class A	87	2.54%	5.14%	5.73%	5.95%	6.67%	9.65%
Class B	163	1.62%	5.35%	6.54%	6.45%	7.46%	10.94%
Class C	110	1.84%	6.65%	7.81%	7.73%	9.15%	14.68%
Class D	27	4.31%	7.08%	8.70%	8.64%	9.93%	15.15%
All Sales	387	1.62%	5.50%	6.77%	6.85%	8.21%	15.15%
Band of Investment Using Mortgage and Equity Analysis							
Inv Class	Mortgage Rate (Rm)	Mort Term	Equity (Down Pmt)	Equity Rate (Re)	Debt +	Equity =	Total Cap Rate (Ro)
Class A	6.00%	35 years	20%	6%	5.4738%	1.200%	6.67%
Class B	7.00%	30 years	20%	8%	6.3869%	1.600%	7.99%
Class C	8.00%	25 years	20%	10%	7.4094%	2.000%	9.41%
Class D	9.00%	25 years	20%	12%	8.0563%	2.400%	10.46%
Analysis Summary							
The conclusions are weighted on the Apartments and All Uses sale data from County sales for each investment class. The conclusions are supported by the appraiser surveys, national and regional publication data. The conclusions for all categories increased by 25 basis points from the prior year. Increases in cap rates from the prior year take into account the fact that interest rates have increased 1% from the previous valuation cycle for this property type.							
Conclusions 2024 Tax Year Apartments	Class A+	Class A	Class A-	Class B+	Class B	Class B-	
	5.75%	6.00%	6.25%	6.25%	6.50%	7.00%	
	Class C+	Class C	Class C-	Class D+	Class D	Class D-	
	7.00%	7.50%	8.00%	8.25%	8.50%	9.00%	

Section 6 – Land and Building Capitalization Rates

6. General

Up to this point in the workshop we have been talking about an overall capitalization rate (R_o) for the whole property. The whole property includes the land and building components, but the overall rate (R_o) does not separate out a land capitalization rate (R_L) and a building capitalization rate (R_B).

The overall capitalization rate will fall somewhere between the land and building capitalization rates. The building capitalization will be larger than the overall capitalization rate and the land capitalization rate will be smaller than the overall rate.



The land-to-building value ratio of the total property value will determine how close the overall capitalization rate is to either of the individual rates. For example, if the building represents 80% of the value, the overall capitalization will be closer to the building capitalization rate.

There are two primary methods to develop a land capitalization rate:

- 1) IRV Formula and 2) Summation.

6.1. Land Capitalization Rate Using IRV

The IRV formula allows an appraiser to find a rate by dividing the net operating income by the property value (NOI ÷ Value). To determine the land capitalization rate, the formula would be:

$$\text{Land Income (I}_L\text{)} \div \text{Land Value (V}_L\text{)}$$

This relates to a previous discussion where it was emphasized that income, rate and value all have to be matched.

Example:

The subject property recently sold for \$2,500,000. The improvement value is \$2,100,000. The net operating income for the land is \$30,000. What is the land capitalization rate?

Step 1: Calculate Residual Land Value

Sale Price (V_O)		RCN (V_B)		Land Value (V_L)
\$2,500,000	-	\$2,100,000	=	\$400,000

Step 2: Apply the IRV Formula

Land Income (I_L)		Land Value (V_L)		Land Cap Rate (R_L)
\$30,000	÷	\$400,000	=	0.0750

6.1.1. Discussion Question – Land Capitalization Rate Using IRV

The subject property has land income of \$40,000. The property recently sold for \$1,600,000 with a new building that cost \$800,000 to develop. What is the indicated land capitalization rate?

See **Appendix 1** in back of this manual for discussion question answers.

6.2. Land Capitalization Rate Using Summation

The summation method involves adding the two of the primary rates together:

$$\text{Yield Rate} + \text{Effective Tax Rate}$$

or

$$R_L = Y_o + \text{ETR.}$$

Example:

Your subject property's jurisdiction has an assessment level of 40% and a tax rate of \$3.00 per \$100. The overall yield rate for the property is 7.5%. What would be the land capitalization rate?

Step 1: Determine Effective Tax Rate

$$\begin{aligned} \$3 \div \$100 &= 0.03 \text{ Nominal Tax Rate} \\ \text{ETR} &= 0.40 \times 0.03 = 0.012 \text{ or } 1.2\% \end{aligned}$$

Step 2: Add Yield Rate and Effective Tax Rate

$$\text{Land capitalization rate} = 7.5\% + 1.2\% = 8.7\%$$

6.2.1. Discussion Question – Land Capitalization Rate Using Summation

The subject property has land income of \$55,000. The assessment level in the jurisdiction is 50% and the tax rate is \$4.00 per \$100. The overall yield rate is 9%. What is the land capitalization rate? What is the land value?

See **Appendix 1** in back of this manual for discussion question answers.

6.3. Building Capitalization Rate Using IRV

The IRV formula allows an appraiser to find a rate by dividing the net operating income by the property value (NOI ÷ Value). To determine the building capitalization rate, the formula would be:

$$\text{Building Income (I}_B\text{)} \div \text{Building Value (V}_B\text{)}.$$

This relates to a previous discussion where it was emphasized that income, rate and value all have to be matched.

Example:

The subject property recently sold for \$2,500,000. The land value is \$400,000. The net operating income for the building is \$230,000. What is the land capitalization rate?

Step 1: Calculate Residual Building Value

Sale Price (V_o)		Land Value (V_B)		Bldg Value (V_B)
\$2,500,000	-	\$400,000	=	\$2,100,000

Step 2: Apply the IRV Formula

Bldg Income (I_B)		Bldg Value (V_B)		Bldg Cap Rate (R_B)
\$230,000	÷	\$2,100,000	=	0.1095

6.3.1. Discussion Question – Building Capitalization Rate Using IRV

The subject property has building income of \$80,000. The property recently sold for \$1,600,000 with a new building that cost \$800,000 to develop. What is the indicated building capitalization rate?

See **Appendix 1** in back of this manual for discussion question answers.

6.4. Building Capitalization Rate Using Summation

The summation method involves adding the three of the primary rates together:

$$\text{Yield Rate} + \text{Effective Tax Rate} + \text{Recapture Rate}$$

or

$$R_L = Y_O + ETR + R_{RECAP}$$

Example:

Your subject property's jurisdiction has an assessment level of 40% and a tax rate of \$3.00 per \$100. The overall yield rate for the property is 7.5%. The building has a remaining economic life of 20 years. What would be the building capitalization rate?

Step 1: Determine Effective Tax Rate

$$\$3 \div \$100 = 0.03 \text{ Nominal Tax Rate}$$

$$ETR = 0.40 \times 0.03 = 0.012 \text{ or } 1.2\%$$

Step 2: Determine Recapture Rate

$$1 \div REL \quad 1 \div 20 \text{ years} = 0.05 \text{ or } 5.0\%$$

Step 3: Add Yield Rate, Effective Tax Rate, and Recapture Rate

$$\text{Building capitalization rate} = 7.5\% + 1.2\% + 5.0\% = 13.7\%$$

6.4.1. Discussion Question – Building Capitalization Rate Using Summation

The subject property has land income of \$70,000. The assessment level in the jurisdiction is 25% and the tax rate is 140 mills. The remaining economic life of the property is 40 years and the overall yield rate is 8%. What is the building capitalization rate and building value?

See **Appendix 1** in back of this manual for discussion question answers.

6.5. Land and Building Capitalization Rate Solution Tips

The NOI is normally calculated for the entire property. There are situations where an improved property is subject only to a land lease. Some commercial real estate developers prefer to maintain control of the land and future income benefits. These can be found in retail uses such as restaurants, bank branches, auto service, and big box properties.

There are other situations where the lease involves only the building and excludes the land. Examples of this can be found on land owned by a government or municipality, such as an airport or port authority.

If sufficient information is available, you can calculate and remove income for either the land or building and then capitalize the remaining NOI into a value indication. Always remember IRV and matching income with value to find the rate.

Example:

Land value is \$110,000 with a sale price of \$625,000. The ETR is 2.0% with a Yo of 8.5%. If the NOI is \$78,900, what is the building capitalization rate?

Building Value	$\$625,000 - \$110,000 = \$515,000$
Land Income	$\$110,000 \times 0.105 = \$11,550$
Building Income	$\$78,900 - \$11,550 = \$67,350$
Building Rate	$\$67,350 \div \$515,000 = 0.1308 \text{ or } 13.08\%$

A valuation box often referred to as IRV loves BLT's may be useful to help determine the data you have and the data you are solving for.

Step 1: Calculate the land and building rates.

Land = ED Effective Tax Rate + Discount Rate

Building = RED Recapture Rate + Effective Tax Rate + Discount Rate

Step 2: Create a 4 x 4 grid with the IRV and BLT headings.

	I	R	V
B			
L			
T		x	

Step 3: Fill in the blanks in the box for the known data.

	I	R	V
B			\$515,000
L	\$11,550	0.15	\$110,000
T	\$78,900	X	\$625,000

Step 4: Use the various formulas of IRV to solve.

	I	R	V
B	\$67,350	0.1308	\$515,000
L	\$11,550	0.15	\$110,000
T	\$78,900	X	\$625,000

Section 7 – Capitalization Rate Sources and Market Trends

7. General

The appraiser/assessor is responsible for staying up-to-date with current market conditions. This section provides resources and current market trends in capitalization rates.

7.1. Capitalization Rate Sources

There are several national real estate brokerage firms who publish annual, semi-annual, and sometimes quarterly reports that address the investor market for commercial real estate. These reports help provide insight into current trends in different use groups and information on capitalization rates that can be used in the Income Approach to value. These sources include:

Free Publications

- CBRE (www.cbre.us)
 - U.S. Real Estate Market Outlook 2023 (Chapter 3, Capital Markets)
www.cbre.com/insights/books/us-real-estate-market-outlook-2023
- Cushman & Wakefield
 - MarketBeat Reports
www.cushmanwakefield.com/en/insights
- Marcus & Millichap – www.marcusmillichap.com – Requires registration
 - Research Briefs
<https://blog.marcusmillichap.com/>
 - Research Reports
www.marcusmillichap.com/research/researchreports

- National Association of Realtors
 - Commercial Real Estate Market Trends and Outlook
www.nar.realtor/commercial-real-estate-market-trends-and-outlook
 - Commercial Lending Survey
www.nar.realtor/research-and-statistics/research-reports/commercial-lending-survey
- Price Waterhouse Coopers (PWC)
 - Emerging Trends in Real Estate
www.pwc.com/us/en/industries/financial-services/asset-wealth-management/real-estate/emerging-trends-in-real-estate.html
- Real Capital Analytics (RCA)
 - RCA Insights
www.rcanalytics.com/rca-insights/
- Moody's Analytics | CRE
 - Cap Rates
<https://cre.moodyanalytics.com/insights/tag/cap-rates/>

Publications for Purchase

- RERC Real Estate Report (SituaAMC)
 - <https://store.rerc.com/collections/real-estate-report>
- Price Waterhouse Coopers (PWC) Investor Survey
 - <https://www.pwc.com/us/en/products/investor-survey.html>

Performing an Internet search with one of the above brokerage firm names, the year in question, and the report referenced above will result in one of the most current publications available from that source.

Sources of comparable sale information with verifiable income/expenses and capitalization rates and/or national survey data include:

- CRExI – www.crex.com
- Costar – www.costar.com
- Moody's Analytics (formerly REIS) - <https://cre.moodyanalytics.com/>

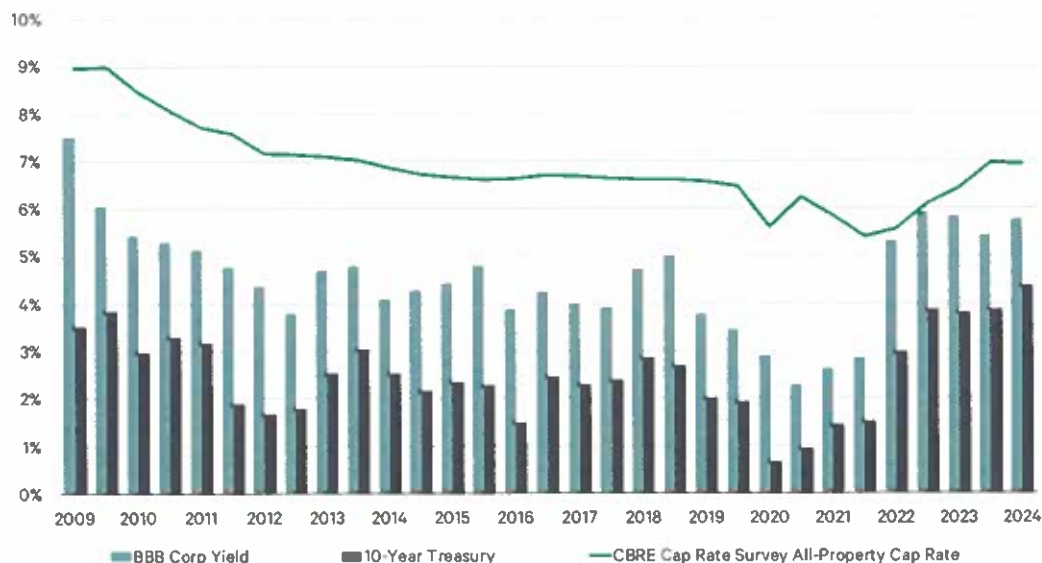
- Realty Rates – www.RealtyRates.com
- Brokers and agents active in a particular market; and
- Real estate appraisers (public and private sector).

The jurisdiction can also conduct its own surveys with local/regional appraisers who are active in the property type appraised. The survey can ask for a range of rates they see in the market for a particular use group, as well as trends (stable, increasing, or decreasing).

Integrating survey data to the appraisal analysis will assist the jurisdiction in staying in tune with market trends and the observations of those participating in the market.

7.2. National Market Trends

CBRE: Historical Cap Rates & Forecast³²



³² U.S. Cap Rate Survey H1 2024, CBRE, July 31, 2024

National Cap Rate Summary³³

Class A Asset Types

Financial Metrics	INDUSTRIAL	MULTIFAMILY		OFFICE		RETAIL	
	Warehouse/ Logistics	CEO	Suburban	CEO	Suburban	Stripmall/ Anchor Strip	Unanchored Strip
Going-In Cap Rate							
Average	5.58%	5.42%	5.58%	7.54%	7.83%	6.71%	7.45%
Change from Mid 2023 (BPS)	21	26	26	37	31	6	10
Discount Rate							
Average	8.81%	8.87%	7.03%	8.64%	8.99%	7.90%	8.68%
Change from Mid 2023 (BPS)	22	20	21	38	38	8	11
Reversion Rate (BPS over Going-In Cap)							
Average	49	42	43	49	49	49	50
Market Rent Growth Rate							
Average	3.05%	2.59%	2.71%	1.05%	1.39%	2.63%	2.63%
Expense Growth Rate							
Average	3.01%	2.92%	2.92%	2.97%	2.97%	3.00%	3.00%

Class B Asset Types

Financial Metrics	INDUSTRIAL	MULTIFAMILY		OFFICE		RETAIL	
	Warehouse/ Logistics	CEO	Suburban	CEO	Suburban	Stripmall/ Anchor Strip	Unanchored Strip
Going-In Cap Rate							
Average	6.21%	5.98%	6.05%	8.45%	8.57%	7.40%	8.07%
Change from Mid 2023 (BPS)	18	18	15	44	32	10	12
Discount Rate							
Average	7.51%	7.50%	7.60%	9.61%	9.82%	8.64%	9.32%
Change from Mid 2023 (BPS)	20	24	23	40	41	11	13
Reversion Rate (BPS over Going-In Cap)							
Average	49	42	43	49	49	49	50
Market Rent Growth Rate							
Average	3.05%	2.59%	2.71%	1.05%	1.39%	2.63%	2.63%
Expense Growth Rate							
Average	3.01%	2.92%	2.92%	2.97%	2.97%	3.00%	3.00%

³³ Valuation & Advisory's North American Market Survey 2024, Newmark

Q1 2024 Capitalization Rate Ranking³⁴

Q1 2024 Capitalization Rate Ranking			
	RANGE	MEDIAN	AVERAGE
Multifamily - CBD Class A	4.25% - 7.00%	5.50%	5.42%
Industrial - Warehouse/Logistics Class A	4.50% - 6.50%	5.50%	5.56%
Multifamily - Suburban Class A	4.50% - 7.00%	5.50%	5.58%
Multifamily - CBD Class B	4.50% - 8.00%	6.00%	5.96%
Multifamily - Suburban Class B	4.75% - 8.00%	6.00%	6.05%
Industrial - Warehouse/Logistics Class B	5.00% - 7.50%	6.25%	6.21%
Retail - Grocery Anchor Strip Class A	5.50% - 7.50%	6.75%	6.71%
Retail - Grocery Anchor Strip Class B	6.00% - 8.50%	7.50%	7.40%
Retail - Unanchored Strip Class A	6.00% - 9.50%	7.50%	7.45%
Office - CBD Class A	5.50% - 9.50%	7.50%	7.54%
Office - Suburban Class A	6.00% - 9.00%	8.00%	7.83%
Retail - Unanchored Strip Class B	6.25% - 10.50%	8.00%	8.07%
Office - CBD Class B	6.00% - 12.00%	8.50%	8.45%
Office - Suburban Class B	6.25% - 10.50%	8.75%	8.57%

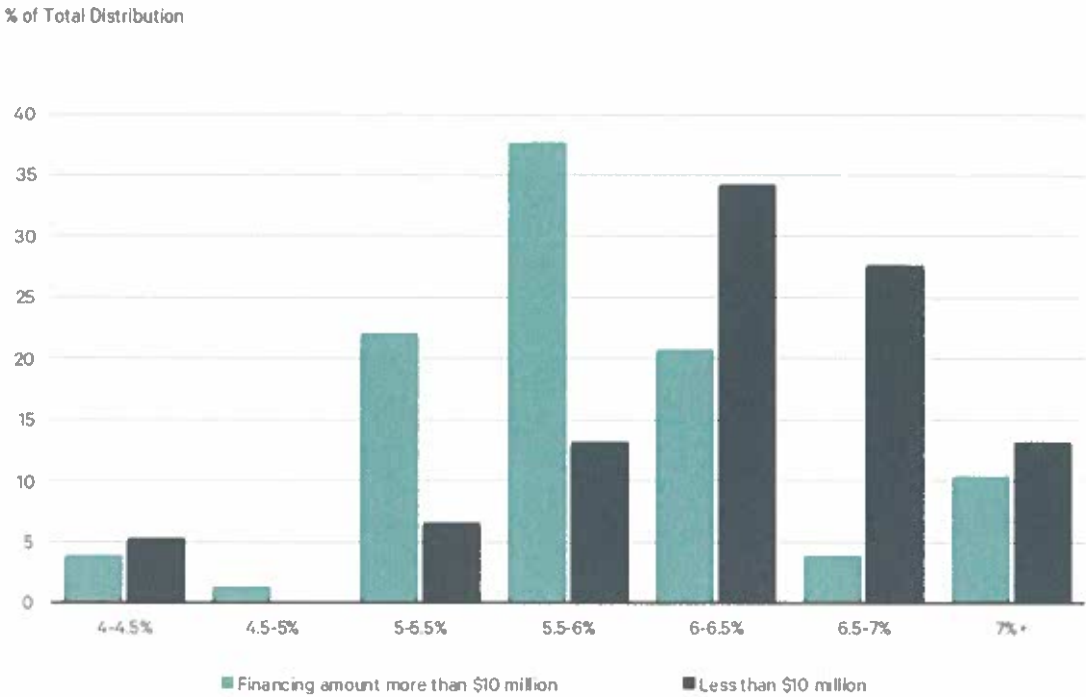
Q1 2024 Discount (Yield) Rate Ranking³⁵

Q1 2024 Discount Rate Ranking			
	RANGE	MEDIAN	AVERAGE
Industrial - Warehouse/Logistics Class A	6.00% - 7.50%	6.75%	6.81%
Multifamily - CBD Class A	5.50% - 8.50%	6.75%	6.87%
Multifamily - Suburban Class A	5.75% - 8.50%	7.00%	7.03%
Industrial - Warehouse/Logistics Class B	6.75% - 8.50%	7.50%	7.51%
Multifamily - CBD Class B	6.00% - 9.50%	7.25%	7.50%
Multifamily - Suburban Class B	6.50% - 9.50%	7.38%	7.60%
Retail - Grocery Anchor Strip Class A	6.50% - 9.25%	8.00%	7.90%
Office - CBD Class A	7.00% - 10.25%	8.50%	8.64%
Retail - Grocery Anchor Strip Class B	7.00% - 9.75%	8.75%	8.64%
Retail - Unanchored Strip Class A	7.00% - 10.50%	8.75%	8.68%
Office - Suburban Class A	7.00% - 10.25%	9.00%	8.99%
Retail - Unanchored Strip Class B	7.25% - 11.50%	9.25%	9.32%
Office - CBD Class B	7.25% - 12.00%	9.50%	9.61%
Office - Suburban Class B	7.25% - 11.75%	9.63%	9.82%

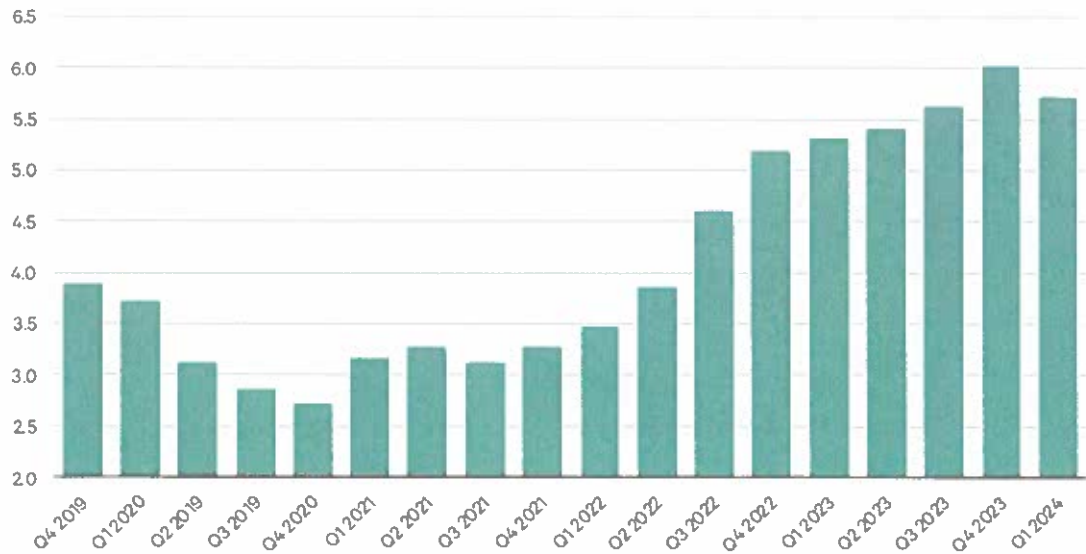
³⁴ Ibid.

³⁵ Ibid.

Mortgage Rate Distribution³⁶



Quarterly Average Mortgage Rate³⁷

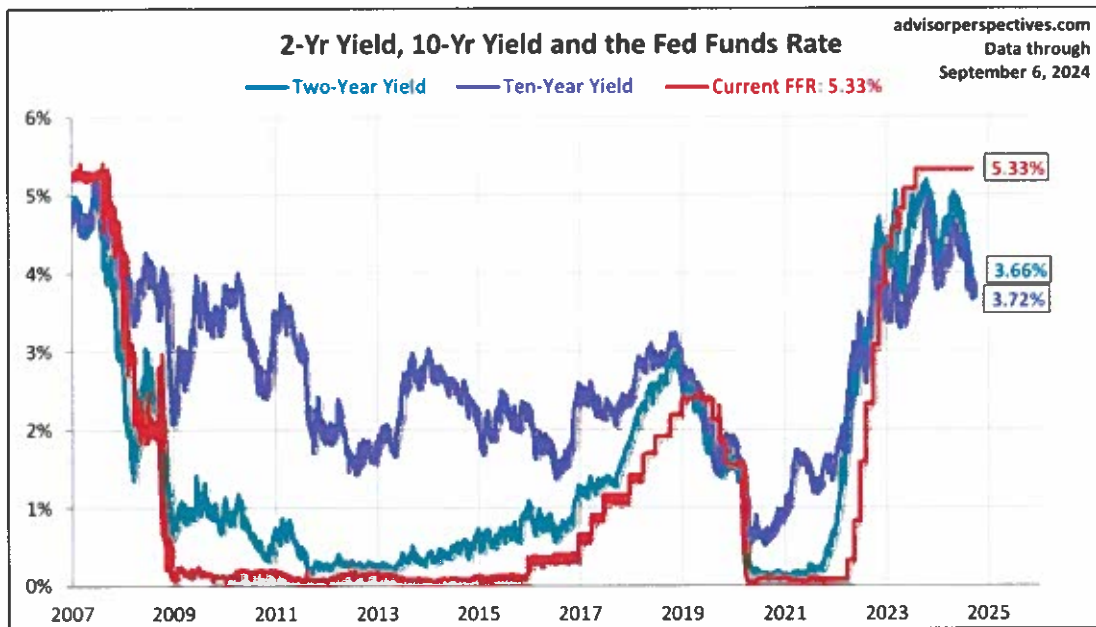


³⁶ U.S. Lending Figures, Q1 2024, CBRE

³⁷ Ibid.

Mortgage Rates and Loan Constants³⁸

Key Underwriting Measures	Q1 2024	Q4 2023	Q1 2023	Q1 2021
Debt Service Coverage Ratio	1.34	1.33	1.36	1.52
Loan-to-Value (LTV) (%)	62.3	61.5	59.9	64.1
Cap Rate (%)	6.00	6.06	5.61	5.41
Amortization Rate (%)	8.4	7.2	8.2	26.8
Percent Partial or Full Interest Only	75.2	77.8	77.6	60.6
Percent Full Interest Only	33.1	33.3	39.7	17.4
Loan Constant (%)	6.92	7.42	6.51	5.17
Interest Rate (%)	6.14	6.64	5.68	3.34
Debt Yield (%)	9.75	10.09	9.62	8.75

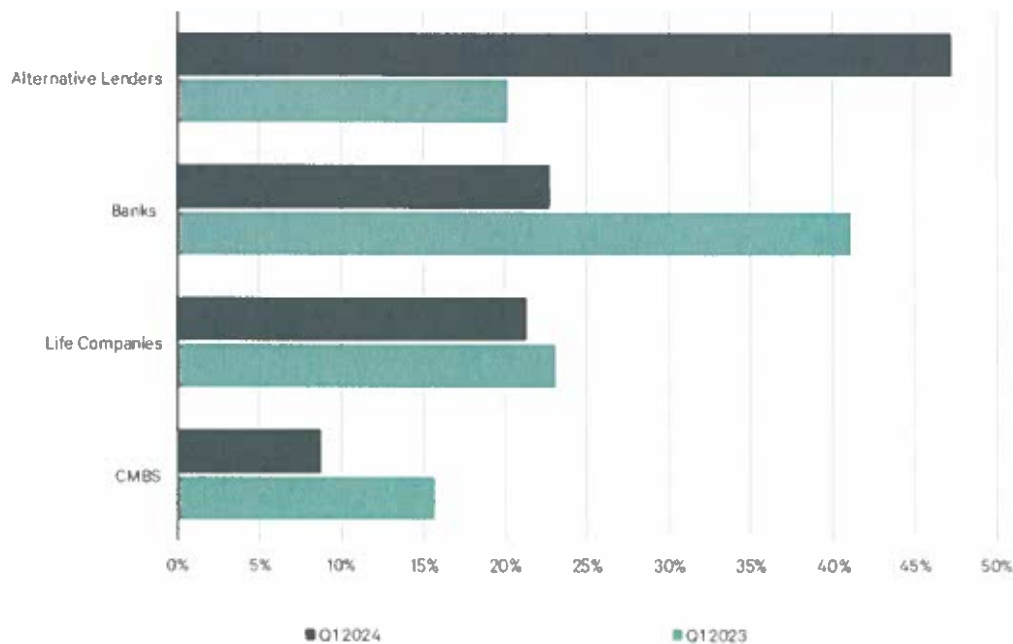


³⁸ Ibid.

Historical Spread Between Cap Rates and 10-Year Treasuries³⁹



Required Real Estate Yields vs Capital Market Returns⁴⁰



³⁹ Ibid.

⁴⁰ Ibid.

IRR: Regional Rates Comparison – Office⁴¹

	Cap Rate	Discount Rate	Market Rent (\$/SF)	Vacancy Rate	Q2'23 - Q2'24 Cap Rate Δ
South Region					
CBD Class A	7.63%	9.02%	\$28.83	20.38%	▲ 25 bps
Suburban Class A	7.82%	9.12%			▲ 18 bps
CBD Class B	8.43%	9.75%	\$20.83	21.30%	▲ 34 bps
Suburban Class B	8.47%	9.75%			▲ 26 bps
East Region					
CBD Class A	8.43%	9.55%	\$40.30	18.20%	▲ 97 bps
Suburban Class A	8.73%	9.89%			▲ 86 bps
CBD Class B	9.02%	10.20%	\$27.61	18.60%	▲ 100 bps
Suburban Class B	9.25%	10.48%			▲ 77 bps
Central Region					
CBD Class A	9.04%	10.35%	\$25.59	21.95%	▲ 56 bps
Suburban Class A	8.53%	9.69%			▲ 41 bps
CBD Class B	9.83%	10.83%	\$18.73	23.06%	▲ 62 bps
Suburban Class B	9.22%	10.13%			▲ 39 bps
West Region					
CBD Class A	7.21%	8.87%	\$40.77	20.63%	▲ 65 bps
Suburban Class A	7.36%	8.91%			▲ 55 bps
CBD Class B	7.73%	9.29%	\$28.95	20.55%	▲ 65 bps
Suburban Class B	7.88%	9.34%			▲ 55 bps
National Averages/Spreads					
CBD Class A	7.99%	9.37%	\$32.99	20.32%	▲ 54 bps
Suburban Class A	8.03%	9.33%			▲ 44 bps
CBD Class B	8.68%	9.96%	\$23.49	20.96%	▲ 60 bps
Suburban Class B	8.63%	9.87%			▲ 44 bps

⁴¹ 2024 Mid-Year Viewpoint Summary, IRR Commercial Real Estate Valuation & Consulting

IRR: Regional Rates Comparison – Multifamily⁴²

	Cap Rate	Discount Rate	Market Rent (\$/Unit)	Vacancy Rate	Q2'23 - Q2'24 Cap Rate Δ
South Region					
Urban Class A	5.51%	7.05%	\$1,672.79	7.16%	▲ 41 bps
Suburban Class A	5.66%	7.19%		▲ 43 bps	
Urban Class B	6.16%	7.82%	\$1,116.29	5.98%	▲ 35 bps
Suburban Class B	6.27%	7.87%		▲ 43 bps	
East Region					
Urban Class A	5.96%	7.23%	\$2,281.80	6.16%	▲ 47 bps
Suburban Class A	6.02%	7.27%		▲ 43 bps	
Urban Class B	6.48%	7.75%	\$1,572.40	3.98%	▲ 52 bps
Suburban Class B	6.61%	7.84%		▲ 43 bps	
Central Region					
Urban Class A	6.06%	7.84%	\$1,562.91	6.66%	▲ 42 bps
Suburban Class A	6.01%	7.70%		▲ 33 bps	
Urban Class B	6.88%	8.53%	\$978.09	3.93%	▲ 38 bps
Suburban Class B	6.80%	8.43%		▲ 26 bps	
West Region					
Urban Class A	5.04%	6.79%	\$2,536.31	6.07%	▲ 40 bps
Suburban Class A	5.18%	6.89%		▲ 35 bps	
Urban Class B	5.42%	7.19%	\$1,736.15	4.18%	▲ 34 bps
Suburban Class B	5.61%	7.36%		▲ 33 bps	
National Averages/Spreads					
Urban Class A	5.61%	7.19%	\$1,950.50	6.65%	▲ 42 bps
Suburban Class A	5.69%	7.25%		▲ 39 bps	
Urban Class B	6.21%	7.81%	\$1,307.66	4.84%	▲ 39 bps
Suburban Class B	6.29%	7.86%		▲ 37 bps	

⁴² Ibid.

IRR: Regional Rates Comparison – Industrial⁴³

	Cap Rate	Discount Rate	Market Rent (\$/SF)	Vacancy Rate	Q2'23 - Q2'24 Cap Rate Δ
South Region					
Flex Industrial	6.80%	8.08%	\$10.90	7.26%	▲ 12 bps
Industrial	6.22%	7.50%	\$6.65	6.73%	▲ 20 bps
East Region					
Flex Industrial	7.15%	8.25%	\$13.02	6.90%	▲ 31 bps
Industrial	6.92%	8.13%	\$9.26	4.09%	▲ 44 bps
Central Region					
Flex Industrial	7.88%	8.96%	\$8.74	7.53%	▲ 17 bps
Industrial	7.13%	8.27%	\$5.39	7.27%	▲ 7 bps
West Region					
Flex Industrial	6.13%	7.61%	\$15.74	6.09%	▲ 16 bps
Industrial	5.64%	7.20%	\$9.69	6.49%	▲ 26 bps
National Averages/Spreads					
Flex Industrial	6.93%	8.18%	\$12.00	6.96%	▲ 17 bps
Industrial	6.42%	7.71%	\$7.57	6.30%	▲ 23 bps

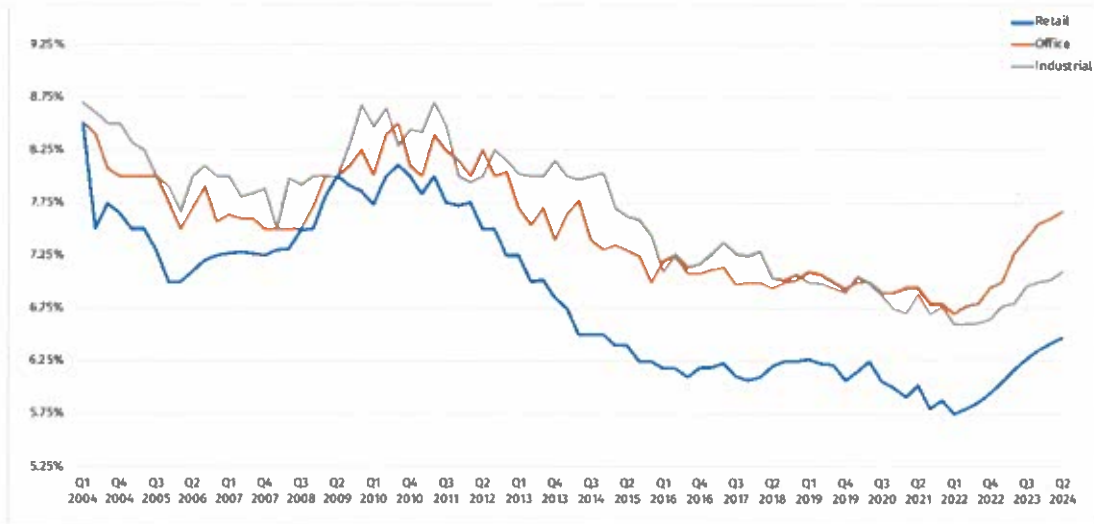
IRR: Regional Rates Comparison – Retail⁴⁴

	Cap Rate	Discount Rate	Market Rent (\$/SF)	Vacancy Rate	Q2'23 - Q2'24 Cap Rate Δ
South Region					
Community Retail	7.19%	8.58%	\$19.01	10.41%	▼ 3 bps
Neighborhood Retail	7.06%	8.45%	\$17.43	11.43%	0 bps
East Region					
Community Retail	7.40%	8.60%	\$23.15	11.10%	▲ 27 bps
Neighborhood Retail	7.48%	8.56%	\$21.51	10.04%	▲ 25 bps
Central Region					
Community Retail	7.96%	9.04%	\$17.26	12.18%	▲ 13 bps
Neighborhood Retail	8.13%	9.13%	\$15.58	13.17%	▲ 9 bps
West Region					
Community Retail	6.55%	8.05%	\$30.65	8.06%	▲ 12 bps
Neighborhood Retail	6.59%	8.05%	\$26.82	8.54%	▲ 8 bps
National Averages/Spreads					
Community Retail	7.25%	8.56%	\$21.98	10.32%	▲ 10 bps
Neighborhood Retail	7.26%	8.53%	\$19.86	10.89%	▲ 9 bps

⁴³ Ibid.

⁴⁴ Ibid.

Boulder Group: Net Lease Cap Rate Trends⁴⁵



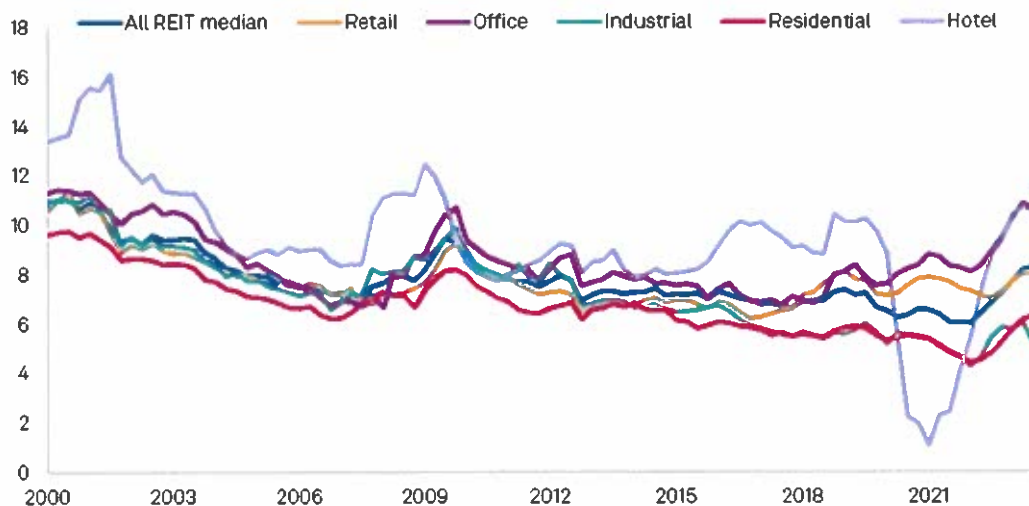
Selected Single Tenant Sales⁴⁶

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Apr-24	Industrial	FedEx	Hermitage	PA	\$43,447,000	\$173	6.76%	12
May-24	Industrial	FedEx	Portland	OR	\$32,500,000	\$153	5.74%	6
Apr-24	Industrial	Lear Corporation	McCalla	AL	\$32,260,000	\$106	5.79%	9
May-24	Industrial	Golden West Packaging	Madera	CA	\$14,300,000	\$102	6.93%	6
May-24	Retail	Jewel-Osco	Oswego	IL	\$12,250,000	\$197	5.51%	13
Apr-24	Industrial	Advanced Coverting Works	Green Bay	WI	\$11,750,000	\$63	7.31%	16
May-24	Industrial	BSN Medical	Conover	NC	\$10,300,000	\$69	6.93%	5
Apr-24	Retail	7-Eleven	Nashville	TN	\$9,745,000	\$1,784	5.65%	15
May-24	Retail	7-Eleven	Davenport	FL	\$9,127,000	\$1,962	5.00%	15
Jun-24	Retail	Walgreens	Portland	ME	\$6,250,000	\$456	7.00%	11
May-24	Retail	Guidepost Montessori	Grand Rapids	MI	\$5,700,000	\$501	7.13%	18
Apr-24	Retail	Natural Grocers	Rio Rancho	NM	\$5,361,000	\$387	6.20%	11
May-24	Retail	Caliber Collision	Middleton	WI	\$5,300,000	\$293	6.70%	10
May-24	Retail	Hawaiian Bros	Saint Joseph	MO	\$5,100,000	\$1,275	7.00%	14
Jun-24	Retail	Wawa	Franklinville	NJ	\$5,000,000	\$1,280	5.00%	18

⁴⁵ The Net Lease Market Report, Q2 2024, The Boulder Group

⁴⁶ Ibid.

US REIT Median Implied Capitalization Rate for Select Properties by Year⁴⁷



All US REIT median implied capitalization rate by quarter (%)



Data compiled March 20, 2024.

Includes US public equity real estate investment trusts with market capitalizations of \$200 million and above as of each respective quarter-end.

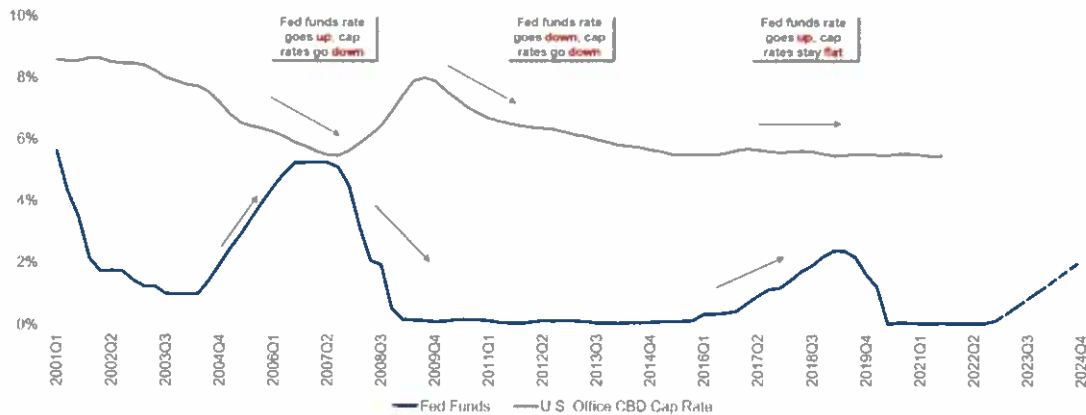
Excludes VICI Properties Inc. due to S&P Global Market Intelligence categorizing the vast majority of its revenue as interest income, a revenue stream excluded from the implied capitalization rate calculation.

Residential sector includes manufactured homes, multifamily, single-family and student housing real estate investment trusts. Retail sector includes outlet center, power center, regional mall, shopping center, single tenant and other retail real estate investment trusts.

Implied capitalization rate represents last-12-months property net operating income as a percentage of the implied market valuation of its real estate.

⁴⁷ [Median implied cap rate for US office REITs reaches new high in Q4 2023](#), S&P Global, March 22, 2024

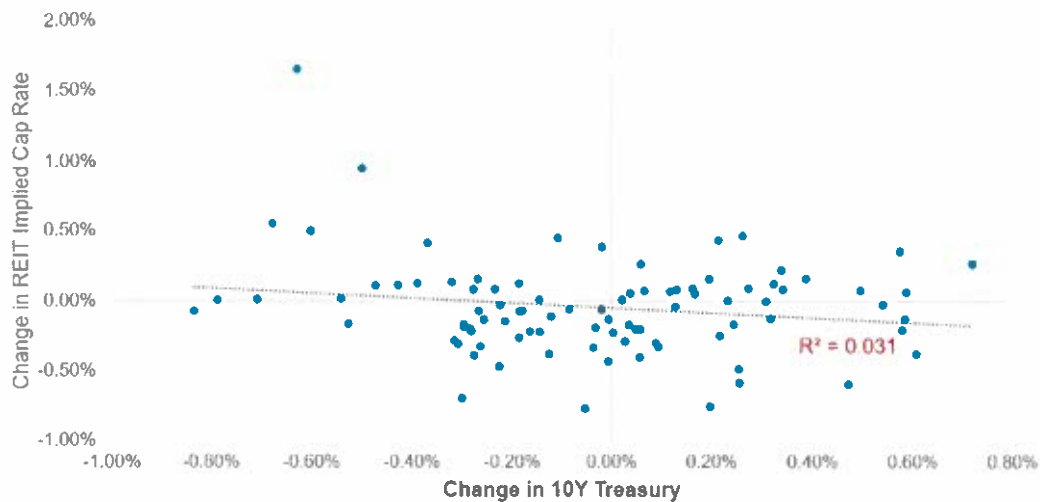
C&W: Weak Correlation Between Fed Funds Rate & Cap Rates⁴⁸



Source: Cushman & Wakefield Research, Moody's Analytics, Real Capital Analytics. Updated 11-9-2021

Relationship Between Interest Rates & Values Is Overstated⁴⁹

Change in long-term interest rates vs. change in cap rates



Source: Green Street, U.S. Bureau of Labor Statistics, Cushman & Wakefield Research

What matters:

- If the economy is growing, then cap rates have tended to compress.
- Are spreads above or below their long-term averages. The wider relative spreads, the more cap rates tend to compress in a growing economy.

⁴⁸ Ibid.

⁴⁹ Ibid.

7.3. Discussion Questions – Capitalization Rate Trends

- 1) *What are the typical spreads between capitalization rates and yield (discount) rates?*
- 2) *Why do some use types have higher capitalization rates and yield rates?*
- 3) *Which use groups have the lowest capitalization rates? Why?*
- 4) *What is the expected impact on capitalization rates due to rising interest rates?*
- 5) *Why might cap rates be slow to increase even though the Federal Reserve has been increasing interest rates to reduce inflation in the overall economy?*

See **Appendix 1** in back of this manual for discussion question answers.

Section 8 – Yield Capitalization

8. Yield Rate Development Methods

While this focus of this workshop is on capitalization rates and the direct capitalization method of one year's income, they are closely linked to yield rates applied in yield capitalization of multiple year of the property's cash flow.

A yield rate is an overall rate of return that accounts for the annual income made during the ownership (holding period) and the money made at the end of the holding period when the asset is sold.

It is also referred to as a discount rate or an internal rate of return (IRR). The overall yield rate also consists of the weighted average for the mortgage interest rate and the equity yield rate, weighted by the proportions of total investment represented by mortgage and equity.

There are four methods to develop the overall yield rate are:

- **Sales** – The overall yield of an investment can be calculated by comparing the buyer's anticipated cashflow over multiple years with the price paid for the property.
- **Band of Investment** – The weighted average of the debt and equity rates. They are weighted by the respective proportions of total property value that each represents.
- **Summation** – The process of adding the four components of the overall yield rate together, which includes the safe rate, risk rate, non-liquidity rate, management rate.
- **Surveys** – Property investors purchase real estate based on the anticipated cash flow of the property over time. Prices are based on these yield rates and there are several publications that survey investors on their target yield rates for various property types.

The selection of the yield rate to be used for either a Discounted Cash Flow (DCF) analysis or the development of an overall capitalization rate should be derived from market using data from comparable sales and input from active market participants as well as those active in the lending community.

8.1. Discounted Cash Flow (DCF)

The Discounted Cash Flow (DCF) analysis is a valuation tool used the Yield Capitalization method of the Income Approach to value. Yield Capitalization converts a series of future income streams into a present value. The DCF analysis provides the platform to develop the value estimate when income varies from year to year.

DCF's can be developed monthly, quarterly, or on an annual basis. In the analysis of real estate, it is typically developed and applied annually—similar to direct capitalization ($\text{Income} \div \text{Rate} = \text{Value}$). Each period (year), the Net Operating Income (NOI) of the property is estimated and is the primary part of the “cash flow” in the analysis.

When valuing real estate, the DCF analysis assumes a sale occurs at the end of the holding period, known as the reversion. As a result, the last period of the forecast includes the income received from the sale of the property. The proceeds from the sale of the property is added to the NOI for the last period's cash flow.

Yield capitalization utilizes an overall Yield Rate (YO), also known as a “discount rate”, which is the rate of return on capital. The Yield Rate is used to determine a present value factor that is applied to the cash flow (usually NOI) in each period (year) of the forecast.

All present values for each cash flow during the holding period are then added together to determine a Total Present Value, which is the indicated value of the property.

Period	1	2	3	4	5	6	7
Net Operating Income (NOI)	\$100,000	\$102,000	\$104,040	\$106,121	\$108,243	\$110,408	\$112,616
Percent Change in NOI		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Average Percent Change	2.0%						
Sale of Property							\$897,845
Present Value Factor	0.8818	0.7775	0.6856	0.6045	0.5330	0.4700	0.4144
Present Value	\$88,176	\$79,304	\$71,326	\$64,150	\$57,696	\$51,891	\$46,755
Total Present Value	\$831,297						

There is no set rule on the number of years that are forecasted in the DCF. The number of years applied is based on the typical investment holding periods for the type of property being analyzed.

8.2. DCF Terminology

The following terms and data conclusions are made in the DCF analysis.

Yield Rate

(1) The return on investment applicable to a series of incomes that results in the present worth of each. Examples of yield rates are interest rate, discount rate, equity yield rate, and internal rate of return.

(2) The required rate of return on equity capital; a component of the capitalization rate (or discount rate or mortgage-equity overall rate) that must be separately specified in band-of-investment analysis and mortgage equity analysis.⁵⁰

Also reported by investors surveys as pre-tax yield.

Terminal Capitalization Rate (R_N)

The capitalization rate applied to the expected net income for the year immediately following the end of the projection period to derive the resale price or value of a property. Also called a going-out, exit, **residual**, or reversionary capitalization rate. See also going-in capitalization rate (R_o).⁵¹

Reversion

A lump-sum benefit that an investor receives or expects to receive upon the termination or sale of an investment; also called reversionary benefit.⁵²

Sale Expense

When the reversion is estimated for the last period of the DCF, it assumes that a sale occurs. Typical sale transactions involve a sale commission with a real estate agent that is included in this expense, as well as related marketing costs.

Percent Change in NOI

The estimated percent change in NOI between periods in the DCF. Can be expressed on an individual period basis, or an average change rate over the holding period.

8.3. DCF Rate Relationships and Concepts

The following concepts apply to DCFs:

⁵⁰ Glossary for Property Appraisal and Assessment, Second Edition, International Association of Assessing Officers, 2013, page 186

⁵¹ The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, 2015, page 232

⁵² Ibid., page 201

- Present value discount factors, discounted cash flow analysis, and overall capitalization rates that reflect the appropriate yield rate are all procedures that can be used in performing yield capitalization.
- Application of the discounting process requires the appraiser to be familiar with the income patterns, the mathematics involved in the discounting process, the projection period, the growth or change in value rate, and the appropriate yield rate.
- The time value of money concept relied on in the discounting process is that benefits to be received in the future are worth less than the benefits received today.⁵³
 - These issues are reflected in the Present Value Factor that lower for the periods that are further into the future on the DCF.
- If cash flow is a level income stream (no changes from year to year), then the capitalization rate is equal to the yield rate less the change rate ($R_0 = Y_0 - CR$).
 - Cash flow in real estate is rarely level, especially for hotels, thus warranting the need of a DCF analysis.
- Yield rates and terminal cap rates are best extracted from the market directly from sales.
 - Doing so requires a substantial amount of factual information confirmed from a sale transaction that is difficult to obtain.
- Discounted cash flow analysis can only provide accurate results if the forecasts developed are based on accurate, reliable information.⁵⁴
- In making forecasts an appraiser employs the same procedure applied by investors who use DCF analysis in their decision making.⁵⁵
- Yield rates and capitalization rates reflect risk – the higher the risk, the higher the rate.

⁵³ Property Assessment Valuation, Third Edition, International Association of Assessing Officers, 2010, page 393

⁵⁴ The Appraisal of Real Estate, Fifteenth Edition, The Appraisal Institute, 2020, page 495

⁵⁵ Ibid., page 495

8.4. Yield Rate Development – Comparable Sales Method

The following is an example of the various indications that can be extracted from a sale. The overall yield rate and equity yield rates were calculated in Excel using the IRR function.

Sale Information									
	\$650,000	Sale Price							
	\$130,000	Down Payment	20%						
	\$520,000	Loan Amount							
Debt assumed at market 4% int, 25-year am, 80% LTV									
Income Analysis									
Potential Gross Income (PGI)	\$70,902	Includes 1% Other Income							
Vacancy	-\$3,545	5%							
Effective Gross Income (EGI)	\$67,357								
Operating Expenses (OE)	-\$27,321	40.6%	\$5,464 /Unit						
Net Operating Income (NOI)	\$40,036		\$8,007 /Unit						
R_D	6.16%								
Overall Yield Rate (Y_O) Estimate									
NOI projected to increase at 2.5% per year. Reversion cap rate (R_N) estimated at 50 BPs higher than cap rate									
Reversion (Year 8 Income)	\$47,590	--	6.66%	=	\$714,634	x	98%	\$700,341	
Period	0	1	2	3	4	5	6	7	8
	-\$650,000	\$40,036	\$41,037	\$42,063	\$43,114	\$44,192	\$45,297	\$46,429	\$747,931
Indicated Overall Yield Rate (Y_O)		7.41%							
Equity Yield Rate (Y_E) Estimate									
Period	0	1	2	3	4	5	6	7	8
	-\$130,000								
NOI		\$40,036	\$41,037	\$42,063	\$43,114	\$44,192	\$45,297	\$46,429	\$47,590
DS		-\$34,458	-\$34,458	-\$34,458	-\$34,458	-\$34,458	-\$34,458	-\$34,458	-\$34,458
PTECF		\$5,578	\$6,579	\$7,605	\$8,657	\$9,735	\$10,839	\$11,972	\$13,133
Reversion		\$47,590	--	6.66%	=	\$714,634	x	98%	\$700,341
Reversion		\$700,341							
Loan Balance - End of Yr 8		-\$449,029							
PT Net Proceeds (Year 8)		\$251,312	+	\$13,133	=	\$264,445			
Period	0	1	2	3	4	5	6	7	8
	-\$130,000	\$5,578	\$6,579	\$7,605	\$8,657	\$9,735	\$10,839	\$11,972	\$264,445
Indicated Equity Yield Rate (Y_E)		13.71%							

8.5. Yield Rate Development – Band of Investment Method

This method is similar to the capitalization rate method using mortgage and equity previously discussed. Instead of using mortgage constant, the actual interest rate is applied. The equity yield rate can be determined by using the methodology shown in the above sale example. This method is sometimes referred to as the "Elwood Method".

8.6. Yield Rate Development – Summation Method

Since these rates reflect risk, another way is to break down the risk components of an overall yield rate:

- **Safe Rate**

The base rate on the safest investments such as government insured investments.

An example of a safe rate is U.S. Bonds, which range between roughly 3.5% and 4.5% as of January 2023.

- **Risk Rate**

An amount in addition to the safe rate which compensates the investor for the degree of risk in the investment.

An example of a risk rate is junk bonds, which range between roughly 5% and 9% as of January 2023.

- **Non-Liquidity Rate**

An amount which compensates the investor for the time necessary to convert the real estate into cash.

An example of a non-liquidity rate is comparing savings account that are liquid, versus a CD account that is not liquid. As of January 2023, interest rates for savings average roughly 0.25% and interest rates for CD average roughly 1.25%. The difference is approximately 1% and can be attributed to liquidity.

- **Management Rate**

An amount which compensates the investor for the decision making process to manage the real estate investment.

Typical management fees for investments are 1%-3% for mutual funds or Exchange Traded Funds (ETFs). Typical management fees for real estate are 3% to 10%.

Using the summation technique, one can build a yield rate using the examples above:

Safe Rate		Risk Rate		Non-Liquid		Mgmt Rate		Y _o
3.5%	+	5.5%	+	1.0%	+	3.0%	=	13.0%

Appendix 1 – Answers to Discussion Questions

3.4. Income Approach Discussion Questions

- 1) *Which income capitalization method analyzes a single year of income and expenses?*

Direct capitalization using the IRV or VIF formula

- 2) *Which income capitalization method analyzes multiple years of income and expenses?*

Yield capitalization

- 3) *Which income capitalization method analyzes is most widely used in mass appraisal and why?*

Direct capitalization is most widely used in the mass appraisal of commercial property because of the availability of market data for most property types.

For example, vacancy data can be collected by a jurisdiction by making observations in the market area on retail buildings.

- 4) *In what situations would an appraiser utilize the yield capitalization method?*

Useful applications of yield capitalization include the valuation of a new rental property that has not reached a stabilized occupancy rate, properties with below market leases, or properties during market conditions that are temporarily impacted and are anticipated to change in the near future.

4.3.3. Recapture Rate Discussion Question

The subject property has a total economic life of 60 years with an effective age of 15 years. What is the recapture rate?

$$\begin{aligned}60 - 15 &= 45 \text{ (REL)} \\ 1 \div 45 &= 0.022 \text{ or } 2.2\%\end{aligned}$$

4.3.5. Effective Tax Rate Discussion Question

The subject property has a market value of \$150,000 with an assessed value of \$45,000. The tax rate for the jurisdiction is \$4.25 per 100. What is the effective tax rate?

$$\begin{aligned}\$45,000 \div \$150,000 &= 0.30 \\ \$4.25 \div 100 &= 0.0425 \\ 0.30 \times 0.0425 &= 0.01275 \text{ or } 1.3\%\end{aligned}$$

4.4. Capitalization Rate Discussion Questions

- 1) *A cap rate expresses the relationship between what two things?*

Income and Value, where $\text{Income} \div \text{Value} = \text{Rate}$ (IRV formula)

- 2) *What are the different types of cap rates that can use the IRV formula?*

Land, building, mortgage, equity, and overall cap rates.

I_L	\div	R_L	$=$	V_L
I_B	\div	R_B	$=$	V_B
I_M	\div	R_M	$=$	V_M
I_E	\div	R_E	$=$	V_E
I_O	\div	R_O	$=$	V_O

- 3) *When working with NOI developed without real estate taxes taken as an expense, the capitalization rate reflects what three components in the valuation for property tax purposes?*

Yield Rate, Recapture Rate, and Effective Tax Rate (ETR)

4) In what situations should an appraiser load the cap rate with an ETR?

If the cap rate data was developed using taxes as an expense and the appraiser is valuing for property tax purposes excluded property tax as an expense, then the cap rate should be loaded with an ETR. This is only appropriate if the lease terms have the landlord responsible for paying taxes.

5.1.2. Cap Rates Using Comparable Sales Discussion Question

The following sale data was obtained for Investment Class D Apartments in the market area. Develop an overall capitalization rate from the following market data.

Sale	Net Operating Income		Sale Price	Indicated Ro
1	\$13,650	÷	\$150,000	= 9.10%
2	\$16,650	÷	\$180,000	= 9.25%
3	\$10,800	÷	\$120,000	= 9.00%
4	\$12,320	÷	\$140,000	= 8.80%
5	\$10,980	÷	\$122,000	= 9.00%
Median				9.00%
Average				9.03%
Conclusion – Unloaded				9.00%
Add: ETR				2.00%
Conclusion – Loaded				11.00%

5.1.3. Selecting a Cap Rate Using Comparable Sales Discussion Question

Sale	PGI	V&C	EGI	Total Exp	NOI	Sale Price	Indicated Cap Rate
1	\$410,000	- \$20,500	= \$389,500	- \$202,250	= \$187,250	+ \$2,100,000	= 8.92%
2	\$348,000	- \$17,400	= \$330,600	- \$173,520	= \$157,080	+ \$1,964,200	= 8.00%
3	\$450,000	- \$22,500	= \$427,500	- \$197,500	= \$230,000	+ \$2,550,000	= 9.02%

Sale	REL	L-B-Ratio	Exp Ratio	Indicated Cap Rate
1	22	\$525,000 ÷ \$2,100,000 = 25%	52%	8.92%
2	25	\$505,800 ÷ \$1,964,200 = 26%	52%	8.00%
3	21	\$510,000 ÷ \$2,550,000 = 20%	46%	9.02%
25		1 + 4 parts = 25%	52%	

Sale 2 is most similar overall to the subject, indicated a cap rate of 8.00%.

5.2.1. Discussion Question – Band of Investment, Mortgage-Equity

A recent survey of lenders active in multifamily loans revealed that interest rates average 5.5% on a 25-year amortization schedule. Apartment loans are done with monthly payments and the monthly mortgage constant is 0.00675 with loans made at 70% loan-to-value ratios. The survey also indicated that equity cap rates are averaging 12%. The ETR for your subject property is 2.98%. Use this information to develop a loaded capitalization rate for your subject property.

Step 1: Annualize Mortgage Constant $0.00675 \times 12 \text{ months} = \underline{0.0810}$

Position	M	x	R	=	Ro
Debt	0.70	x	0.0810	=	0.0567
Equity	0.30	x	0.1200	=	0.0360
Total (Ro)					0.0927
As a Percent					9.27%
			Add: ETR		2.98%
			Loaded Cap Rate		12.25%

5.2.2. Discussion Question – Band of Investment, Mortgage-Equity

Banks in your jurisdiction are lending at 75% of the purchase price for 20 years at 9% interest with monthly payments. The annual mortgage constant is 0.107967. The investor requires an equity dividend of 12% on the remaining 25% to make the investment worthwhile. What is the unloaded capitalization rate?

Position	M	x	R	=	Ro
Debt	0.75	x	0.107967	=	0.0810
Equity	0.25	x	0.120000	=	0.0300
Total (Ro)					0.1110
As a Percent					11.10%

5.3.1. Discussion Question – Debt-Coverage Ratio Method

The subject property has an annual interest payment of \$449,500 and a principal payment of \$62,500. The subject's net operating income is \$700,000. Lending institutions are currently using a loan-to-value ratio of 75% and the annual mortgage constant is 0.07327. What is the overall capitalization rate?

Answer: $\$449,500 + \$62,500 = \$512,000$ (annual debt service)
 $\$700,000 \div \$512,000 = 1.37$ (DCR)
 $1.37 \times 0.75 \times 0.07327 = 0.0753 = 7.53\%$

6.1.1. Discussion Question – Land Capitalization Rate Using IRV

The subject property has land income of \$40,000. The property recently sold for \$1,600,000 with a new building that cost \$800,000 to develop. What is the indicated land capitalization rate?

Sale Price (V_o)		RCN (V_B)		Land Value (V_L)
\$1,600,000	-	\$800,000	=	\$800,000

Land Income (I_L)		Land Value (V_L)		Land Cap Rate (R_L)
\$40,000	÷	\$800,000	=	0.0500

6.2.1. Discussion Question – Land Capitalization Rate Using Summation

The subject property has land income of \$55,000. The assessment level in the jurisdiction is 50% and the nominal tax rate is \$4.00 per 100. The overall yield rate is 9%. What is the land capitalization rate and land value?

$$\$4 \div \$100 = 0.04 \text{ Nominal Tax Rate}$$

$$ETR = 0.04 \times 0.50 = 0.02$$

$$R_L = 0.02 + 0.09 = 0.11 \text{ or } 11\%$$

$$V_L = \$55,000 \div 0.11 = \$500,000$$

6.3.1. Discussion Question – Building Capitalization Rate Using IRV

The subject property has building income of \$80,000. The property recently sold for \$1,600,000 with a new building that cost \$800,000 to develop. What is the indicated building capitalization rate?

Sale Price (V_o)		Land Value (V_B)		Bldg Value (V_B)
\$1,600,000	-	\$800,000	=	\$800,000

Bldg Income (I_B)		Bldg Value (V_B)		Bldg Cap Rate (R_B)
\$80,000	÷	\$800,000	=	0.1000

6.5.1. Discussion Question – Building Capitalization Rate Using Summation

The subject property has land income of \$70,000. The assessment level in the jurisdiction is 25% and the tax rate is 140 mills. The remaining economic life of the property is 40 years and the overall yield rate is 8%. What is the building capitalization rate and building value?

$$140 \div 1,000 = 0.14 \text{ Nominal Tax Rate}$$

$$ETR = 0.14 \times 0.25 = 0.035$$

$$R_{RECAP} = 1 \div 40 = 0.025$$

$$R_B = 0.035 + 0.025 + 0.08 = 0.14 \text{ or } 14\%$$

$$V_B = \$70,000 \div 0.14 = \$500,000$$

7.3. Discussion Questions – Capitalization Rate Trends

- 1) *What are the typical spreads between capitalization rates and yield rates?*

The spread ranges from roughly 1% to 2%.

- 2) *Why do some use types have higher capitalization rates and yield rates?*

The perceived risk is higher for properties with the highest capitalization and yield rates.

- 3) *Which use groups have the lowest capitalization rates? Why?*

Apartments have the lowest capitalization rates, followed by retail and industrial, depending upon the report referenced. Uses where demand exceeds supply usually results in the lower risk and more buyers, which puts downward pressure on the cap rate.

- 4) *What is the expected impact on capitalization rates due to rising interest rates?*

With the band-of-investment concept in mind, the higher interest rates would cause a rise in cap rates. Investors would not want to have a rate of return less than the lender (bank).

- 5) *Why might cap rates be slow to increase even though the Federal Reserve has been increasing interest rates to reduce inflation in the overall economy?*

The data shows that spreads between property cap rates and 10-year treasuries has been decreasing, which means investors are making less of a return above the cost of borrowing.

There are still a lot of buyers and equity available to invest in real estate. With more competition among buyers, prices remain strong and tend to increase, which prevents cap rates from increasing.

The stock market dropped 10%-15% during 2022, so investors are looking to put their money in investments that will retain value and are more resistant to the inflationary economy.

Appendix 2 – Commercial Loan Data

Current Rates

AS OF 9/5/2024 (9:00 AM CT)

Northmarq.com



Capital Markets Leader

Northmarq leverages strong, long-term relationships with all sources of capital – including the GSEs, FHA/HUD, life companies, bridge lenders, banks, and CMBS lenders – to create innovative financing solutions. The rates provided here are for informational use only. For specific quotes, contact your local office today.

Current Index Rates		Previous Week
5 year Treasury	3.52%	3.67%
7 year Treasury	3.61%	3.77%
10 year Treasury	3.73%	3.87%
30-day Avg SOFR	5.34%	5.34%
1 Mo Term SOFR	5.12%	5.35%

Commercial

Life Companies

Term	Amortization	LTV	Spread	Rate
Term	Amortization	LTV	Spread	Rate
5 Year	25-30	60%-75%	160-220	5.10%-5.70%
10 Year	25-30	50%-65%	150-190	5.25%-5.65%
10-Year	25-30	60%-75%	160-220	5.35%-5.95%
15 Year	25-30	60%-75%	160-220	5.35%-5.95%
15-20 Year	Fully Amortizing	60%-75%	160-220	5.35%-5.95%

CMBS

Term	Amortization	LTV	Spread	Rate
5-Year	30	65%-75%	250-300	6.15%-6.65%
10-Year	30	65%-75%	225-275	6.10%-6.60%

* Rate buy downs available on deal by deal basis.

Multifamily

Freddie Mac—Conventional

Term	LTV	DSCR	Spread	Rate
15-Year	80%	1.25x	170-195	5.45%-5.70%
10-Year	55%	1.55x	135-140	5.10%-5.15%
10-Year	65%	1.35x	140-160	5.15%-5.35%
10-Year	80%	1.25x	155-180	5.30%-5.55%
7-Year	55%	1.55x	140-145	5.00%-5.05%
7-Year	65%	1.35x	150-170	5.10%-5.30%
7-Year	80%	1.25x	165-190	5.15%-5.40%
5-Year	75%	1.25x	160-185	5.10%-5.35%
10-Year ARM	80%	1.25x	215-240	7.50%-7.75%

Fannie Mae—Conventional

Term	LTV	DSCR	Spread	Rate
15-Year	65%	1.35x	115-155	4.90%-5.30%
10-Year	55%	1.55x	95-135	4.70%-5.10%
10-Year	65%	1.35x	115-155	4.90%-5.30%
10-Year	80%	1.25x	135-175	5.10%-5.50%
7-Year*	55%	1.55x	100-140	4.60%-5.00%
7-Year*	65%	1.35x	120-160	4.80%-5.20%
7-Year	80%	1.25x	150-190	5.10%-5.50%
5-Year	65%	1.25x	180-220	5.30%-5.70%
10-Year SARM	75%	1.00x	265-280	8.00%-8.15%

* For loans less than \$6MM, please reach out to your Fannie representative.

FHA—223(F) Refinancing

Term	Amortization	LTV	DSCR	Rate
35	35	85%	1.176x	5.15-5.45%

* Before MIP

(Minimum 10% down)

FHA—221(D)4 Construction/Permanent

Term	Amortization	LTC	DSCR	Rate
40	40	85%	1.176x	5.65-5.95%

* Before MIP

Life Companies

Term	Amortization	LTV	Spread	Rate
5-Year	25-30	60%-75%	155-215	5.05%-5.65%
10-Year	25-30	50%-65%	130-175	5.05%-5.50%
10-Year	25-30	60%-75%	155-215	5.30%-5.90%
15-Year	25-30	60%-75%	155-215	5.30%-5.90%
15-20 Year Fully Amortizing		60%-75%	155-215	5.30%-5.90%

CMBS

Term	Amortization	LTV	Spread	Rate
5-Year	30	65%-75%	250-300	6.15%-6.65%
10-Year	30	65%-75%	225-275	6.10%-6.60%

* Rate buy downs available on deal by deal basis.

Rates are general in nature and are for informational use only. Rates are subject to change at any time and the information provided is not a commitment to lend. For specific quotes based on your property, contact a local Northmarq office.



Our Best Commercial Mortgage Rates as of September 23, 2024

Loan Type	Rate*	LTV
Multifamily	4.83%	Up to 80%
CMBS	5.68%	Up to 75%
NNN Single Tenant	5.93%	Up to 75%
Mobile Home Park	5.22%	Up to 75%
Single Credit Tenant	5.93%	Up to 75%
Owner Occupied	6.03%	Up to 90%
Industrial	6.13%	Up to 75%
Office	6.13%	Up to 75%
Retail	6.13%	Up to 75%
Self Storage	6.13%	Up to 75%
Medical	6.13%	Up to 75%
SBA 504	5.96%	Up to 90%
SBA 7a	7.50%	Up to 90%
Single Use	7.50%	Up to 75%
Hotel	7.50%	Up to 75%
Motel	7.50%	Up to 75%
Bridge	9.00%	Up to 80%

*Rates start as low as the rates stated here. Your rate, LTV and amortization will be determined by underwriting.

[Lenders](#) [Product ▾](#) [Pricing](#) [Resources ▾](#) [About ▾](#) [Sign in](#) [Get started](#)

Current Market Rates

StackSource is the only source for commercial mortgage rates updated daily.

Today's commercial mortgage rates

Loan program type	Interest rates
Freddie Mac Optigo	5.59% - 7.11%
Fannie Mae	5.54% - 6.81%
HUD 223(f)	6.00% - 6.70%
CMBS	6.33% - 7.93%
Regional Banks/Credit Unions	6.77% - 10.50%
Life Insurance Companies	5.58% - 7.06%
Debt Funds	9.12% - 15.37%
HUD 221(d)(4)	6.60% - 7.30%

Appendix 3 – Sample Surveys

COMMERCIAL MORTGAGE LENDER SURVEY for the 2023 TAX YEAR													
<p>The Douglas County Appraiser's Office is collecting data for the 2023 capitalization rate study. Please review the form below and share your observations in the current commercial lending market. The rates derived from this study will be used to assist the Appraiser's Office in calculating the fair market value for commercial properties for the 2023 Tax Year. Thank you for sharing your time and knowledge.</p> <p>The Target Return on Equity in the right column is a reference to your borrower's target annual cash return on the down payment after debt service is paid (a cash-on-cash return on the equity, or Cashflow After Debt Service :- Down Payment).</p>													
	Loan to Value Ratio % Range		Interest Rate % Range		Interest Rate Change From 1 Year Ago Decrease Stable Increase			Amortization (Years) Range		Rate Adjust?	Term of Note Or Balloon	Debt- Coverage Ratio Req'd	Target Return on Equity (Annual)
Example	50%	80%	4.50%	7.50%	X			15	30	Fixed	5 yrs	1.25:1	10.00%
Comments	Rate based on 100-250 BPs spread from 10-year treasuries; Up about 1% from 1 year ago												
APARTMENTS: 5 to 40 Units:													
41 to 100 Units:													
OVER 100 Units:													
SUBSIDIZED/TAX CREDIT HOUSING:													
CONVENIENCE STORES													
DOWNTOWN ROW													
FASTFOOD RESTAURANTS													
GENERAL COMMERCIAL													
HOTELS / MOTELS													
INDUSTRIAL													
BIG BOX													
RETAIL CENTER - MULTI-TENANT													
MEDICAL OFFICE BUILDING													
MINI-STORAGE													
MOBILE HOME PARKS													
OFFICE													
RESTAURANT (FULL-SERVICE, BAR/GRILL)													
RETAIL (FREE-STANDING)													
SENIOR HOUSING (ASSISTED LIVING, SKILLED NURSING, ETC)													
STRIP SHOPPING CENTER (INCLUDES NEIGHBORHOOD CENTERS AND COMMUNITY SHOPPING CENTERS)													
<p>Comments on Loan Terms (Example: Trends in Rates, Lending Demand Trends, Preferred/Unacceptable Property Types, Regulatory environment influence on lending, Highest/lowest frequency use category for loan activity, etc):</p> 													
<p><i>Thank you for your participation in this survey.</i></p>													
<p>Survey Respondent: _____</p> <p>Financial Institution: _____</p> <p>Survey Date: _____</p>													

**REAL ESTATE APPRAISER SURVEY
for TAX YEAR 2023**

The Douglas County Appraiser's Office is collecting data for the 2023 Tax Year. The information derived from this survey will be included in the county's Capitalization Rate Study for valuing commercial properties with an effective date of January 1, 2023. Thank you for sharing your time and knowledge.

The following questions are regarding your observations of the current commercial real estate market conditions. Please answer the questions to the best of your ability based on your current knowledge and understanding of the market. Leave blank the fields you cannot answer. If additional input is included from another person in your firm, please provide their name at the bottom of the form.

Please exclude a replacement allowance from the cap rates in your answers. Thank you.

Cap Rate = Net Income ÷ Sale Price	Cap Rate Trends			Cap Rate Range (Ro)		Equity Cap Rate Range (Ro)	
	Decreasing	Stable	Increasing	Low	High	Low	High
EXAMPLE		X		7.00%	9.00%	6.00%	10.00%
APARTMENTS							
5 to 40 Units:							
41 to 100 Units:							
OVER 100 Units:							
BANK							
CONVENIENCE STORES							
DOWNTOWN ROW							
FASTFOOD							
GENERAL							
HOTEL/MOTEL							
INDUSTRIAL							
LARGE INDUSTRIAL (30,000+ SF)							
BIG BOX							
MEDICAL OFFICE BUILDING							
MINI-STORAGE							
MOBILE HOME PARKS							
OFFICE							
PARKING GARAGE							
RESTAURANT (FULL-SERVICE, BAR/TAVERN)							
SENIOR HOUSING							
RETAIL (FREE-STANDING)							
STRIP SHOPPING CENTER (INCLUDES NEIGHBORHOOD CENTERS AND COMMUNITY SHOPPING CENTERS)							

Comments on Cap Rate Trends (Example: Change Observations from Prior Year, Specific Issues Affecting Cap Rates, etc):

Thank you for your participation in this survey.

Survey Respondent: _____
Company: _____
Date: _____

State of Idaho

Certificate of Completion

granted to



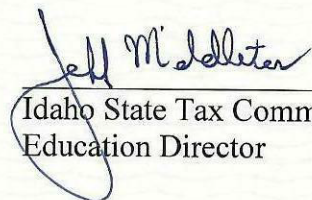
for completion of

Team Consulting, LLC:
“Development of Capitalization Rates”

8 hrs



October 8, 2024
Date Completed


Idaho State Tax Commission
Education Director

APPRAISER CERTIFICATION BOARD

August 13, 2024

Agenda Item 4

(d) Schemes, Scams, and Fraud in Real Estate



Nevada Department of Taxation
Property Tax Appraiser Continuing Education
New Course Application

Return this form to:
Division of Local Government Services
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706

Please Print or Type:

COURSE INFORMATION (A person who wishes to receive contact hours for a course of continuing education that has not been previously approved, must apply for such approval.)

<small>NAME OF REQUESTER</small> [Redacted]	<small>TITLE</small> [Redacted]
<small>TITLE OF COURSE</small> Schemes, Scams and Fraud in Real Estate	
<small>VENDOR/PROVIDER</small> Ticor Title Company/Fidelity National Financial - Erin Schiller - Vice President, Nevada State Education Director	

1. Course Summary:

This class will provide insight and information about current scams and fraudulent activities affecting the real estate industry and consumers. It will also cover how to identify, avoid, and combat the scams and review best practices to resolve and mitigate the various scams and fraud activities.

2. What are the hours of instruction? 3 hours

3. What is the completion date? _____

SUBJECT CLASSIFICATION - CHECK ALL THAT APPLY

- | | |
|---|---|
| <input type="checkbox"/> Mass Appraisal Concepts and Applications
<input type="checkbox"/> IAAO Standards
<input checked="" type="checkbox"/> Residential, Commercial/Industrial Appraisal
<input type="checkbox"/> Unitary/Centrally Assessed Property Appraisal
<input checked="" type="checkbox"/> Legal Documents (Deeds, Titles, Leases, etc.)
<input checked="" type="checkbox"/> Nevada Statutes or Regulation, Appraisal or Assessment Standards | <input type="checkbox"/> College or Professional Level Accounting, Finance, Statistics or Other Appraisal Subjects
<input type="checkbox"/> GIS, Mapping, CAMA
<input checked="" type="checkbox"/> Laws Relating to Real Estate, Water or Mining
<input checked="" type="checkbox"/> Professional Ethics
<input type="checkbox"/> Other |
|---|---|

If other, please describe why the course is applicable to appraisal and/or property tax.

REQUIRED MATERIALS TO BE SUBMITTED WITH APPLICATION INCLUDE:

- ☒ Detailed Course Outline
- ☒ Syllabus or Course Material

SIGNATURE

[Redacted Signature]

[Redacted Signature]

Date

For Department Use Only

<small>NUMBER OF CREDIT HOURS GRANTED</small>	<small>NUMBER OF CREDIT HOURS APPEARING ON TRANSCRIPT</small>	<small>MILESTONE APPLIED TO</small>	<small>TOTAL HOURS FOR THIS MILESTONE</small>

Verified by:

 <small>Division of Local Government Services</small>	<small>Title</small>	<small>Date</small>
--	----------------------	---------------------

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE DIVISION

Form 526a – Course Timed Outline Template

Course Title: Schemes, Scams & Fraud in Real Estate from the Escrow and Title Perspective

Course Objective(s): Educate the real estate community about fraud and scams plaguing our industry

Hours: 3 hours

Content: Course timed outline should include introduction, classroom procedures and CE requirements with curriculum topics identified with any sub-topic bullet points as sampled below:

SUBJECT/TOPICS	COURSE TIMED INCREMENTS
Introductions/Housekeeping/Objectives	5 mins
What are we discussing today?	
1. Schemes, Scams, & Fraud	10
Who, What, When, Why, and How	
Seller Impersonations	
Vacant Land Scam	10
Equity Skimming	10
Power of Attorney	5
Uninsured Deeds and Documents in the Chain of Title	5
Notary Fraud	
Checks, Cashiers check, and Wire Fraud	5
BREAK	10
2. Wire Fraud	10
FBI Info	5
Business Email Compromise	10
How to protect the client	5
Mobile Bank Apps	5
LLC's, Trusts, Divorce	5
CoMingling of funds	5
Caller Id spoofing	5
Business License and Recording Fraud	
Rental Scams	
BREAK	10
3. Cyberattacks	5
Phishing Scam	
Wireless Access	
Encryption	5
Why?	
Personal Information	

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE DIVISION

Government & State Regulations - NRS 603A.040	
CFPB	5
Consumer Protection	
Background checks Clean Desk Policy, Encryption	
4. Notary Fraud	5
Contractors Board; An Act relating to contractors; exempting licensed real estate brokers and salespersons to maintain certain records	
Notary Law	5
Notary Requirements	5
5. What is the Role of the Escrow Officer Regarding Fraudulent Activities & Scams	5
Neutral third party, licensing, regulations, notary, etc.	
Why do you need a Title Insurance Policy	5
Who are Escrow & Title Companies regulated by	5
Statement of Information	5
What is a Statement of Information & What does it do?	5
6. Preliminary Title Reports & Title Insurance	5
Uncovering Issues & Concerns	
Title Policies/What is title insurance?	5
What Are You Doing To Protect Your Client?	5
Why Care?	
Fraud Resources	
Total Minutes	185

BRIAN SANDOVAL
Governor

STATE OF NEVADA



BRUCE H. BRESLOW
Director

JOSEPH (JD) DECKER
Administrator

DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE DIVISION
www.red.state.nv.us

May 13, 2016

TICOR TITLE OF NEVADA, INC
ERIN SCHILLER
5441 KIETZKE LANE #100
RENO, NV 89511

Dear Continuing Education Sponsor:

Effective May 13, 2016 the course(s) listed below is/are approved by the Real Estate Division on behalf of the Real Estate Commission for the continuing education credit hours, designation, delivery method and approved instructors stated on the certification enclosed for each course.

"SCHEMES, SCAMS, AND FRAUD IN REAL ESTATE - FROM THE ESCROW & TITLE PERSPECTIVE"

Included with this approval is a sample master course certificate of completion for your use. Issued certificates must contain all the information that is on the sample master certificate, and an original signature.

The course number and the statement that the school is approved by the Nevada Real Estate Commission must be used in all advertising. NAC 645.425.

Now that the application and approval process has been accomplished, please review the attendance (NAC 645.455), advertising (NAC 645.458), sponsor (NAC 645.457), student (NAC 645.4438), instructor (NAC 645.428), and certificate (NAC 645.455(4)) requirements of the sponsor.

All courses are subject to audit and evaluation per NAC 645.444.

If you have any questions, please contact the Education Section at (702) 486-0951.

Sincerely,

A blue ink signature of Ingrid Trillo, written in a cursive style.

Ingrid Trillo
CE Program Supervisor



DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE DIVISION
www.red.state.nv.us

*REAL ESTATE CONTINUING EDUCATION
COURSE CERTIFICATION*

**“SCHEMES, SCAMS, AND FRAUD IN REAL
ESTATE - FROM THE ESCROW & TITLE
PERSPECTIVE”**

(Classroom)

3 CREDIT HOURS

ETHICS

Sponsored by:

TICOR TITLE OF NEVADA, INC

Has been approved by the Nevada Real Estate Commission for
Continuing Education Credits

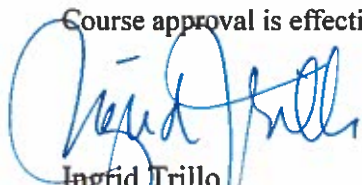
The Real Estate Division assigned course number is:

CE.4368000-RE

Instructors approved to teach this course are

ERIN SCHILLER

Course approval is effective from May 13, 2016 through May 31, 2017.


Ingrid Trillo
CE Program Supervisor

SAMPLE

Certificate of Attendance

REAL ESTATE CONTINUING EDUCATION

Name

License Number

Attended and successfully completed a Classroom offering of

“SCHEMES, SCAMS, AND FRAUD IN REAL
ESTATE - FROM THE ESCROW & TITLE
PERSPECTIVE”

3 CREDIT HOURS ETHICS

CE.4368000-RE

ON

DATE

This course is sponsored by:

TICOR TITLE OF NEVADA, INC

Authorized Signature (Original)

THIS COURSE IS APPROVED BY THE NEVADA REAL ESTATE COMMISSION



SCHEMES, SCAMS & FRAUD IN REAL ESTATE

FROM THE ESCROW & TITLE PERSPECTIVE

CE.4368000-RE/ETHICS CREDIT

WHAT ARE WE DISCUSSING TODAY:



- Schemes & Scams In Real Estate
- Fraudulent Activity In Real Estate Transactions
- Cyberattacks
- Encryptions & Software
- CFPB
- Notary Laws
- Notary Requirements
- Role of Escrow & Title Insurance Company
- Value of Title Insurance & Fraud
- Regulatory Agencies
- Statements of Information
- Title Policies
- What are we doing to protect you and your clients



SCHEMES, SCAMS, & FRAUD

- Who?
 - Who are they?
- What?
 - What is their motive?
- When?
 - Is there a specific time or day?
- Why?
 - Why are they doing this?
- How?
 - How do we stop them?

THE 15 LATEST HOLIDAY SCAMS TO WATCH OUT FOR IN 2024

1. Fake charities that steal your money
2. Gift card scams (including empty gift cards)
3. Lookalike online stores
4. Phishing emails from companies you trust
5. Fraudulent seasonal jobs
6. Missed delivery notification scam texts
7. Grandparent scams
8. Social ads promoting fraudulent items
9. Popular holiday gifts at low prices
10. Holiday travel and online airfare scams
11. Fake online giveaways and surveys
12. Scam online gift exchanges
13. Hacking over public Wi-Fi
14. Stealing mail and packages
15. Shoulder surfing and card skimming

HOLIDAY SCAMS

- Gift Card Scams – Broker/Manager
- **The caller says it's urgent.** They tell you to pay right away or something terrible will happen. They try to pressure you into acting quickly, so you don't have time to think or talk to someone you trust. Don't pay. It's a scam.
- **The caller usually tells you which gift card to buy.** They might tell you to put money on a Google Play, Target, or iTunes gift card — or send you to a specific store like Walmart, Target, or CVS. Sometimes they tell you to buy cards at several stores, so cashiers won't get suspicious. If so, stop. It's a scam.
- **The caller asks you for the gift card number and PIN.** The scammer uses that information to get the money you've loaded on the card. Don't give them those numbers. It's a scam. You'll lose your money, and you won't be able to get it back.

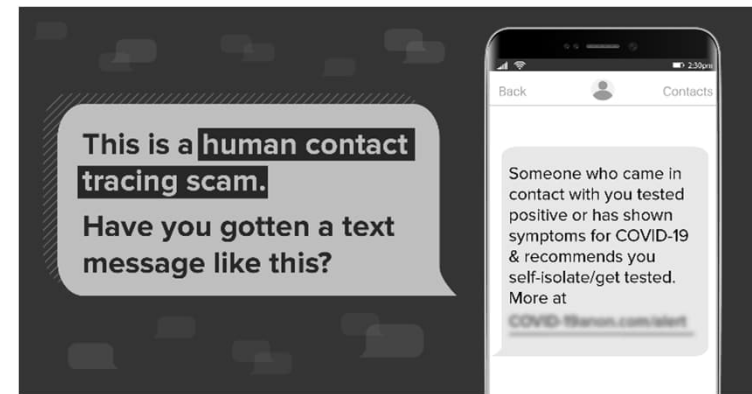
HOLIDAY SCAMS

- Tips to Avoid Holiday Scams
- Whether you're the buyer or the seller, there are a number of ways you can protect yourself—and your wallet.
- **Practice good cybersecurity hygiene.**
- Don't click any suspicious links or attachments in emails, on websites, or on social media. Phishing scams and similar crimes get you to click on links and give up personal information like your name, password, and bank account number. In some cases, you may unknowingly download malware to your device.
- Be especially wary if a company asks you to update your password or account information. Look up the company's phone number on your own and call the company.
- **Know who you're buying from or selling to.**
- Check each website's URL to make sure it's legitimate and secure. A site you're buying from should have https in the web address. If it doesn't, don't enter your information on that site.
- If you're purchasing from a company for the first time, do your research and check reviews.
- Verify the legitimacy of a buyer or seller before moving forward with a purchase. If you're using an online marketplace or auction website, check their feedback rating. Be wary of buyers and sellers with mostly unfavorable feedback ratings or no ratings at all.
- Avoid sellers who act as authorized dealers or factory representatives of popular items in countries where there would be no such deals.
- Be wary of sellers who post an auction or advertisement as if they reside in the U.S., then respond to questions by stating they are out of the country on business, family emergency, or similar reasons.
- Avoid buyers who request their purchase be shipped using a certain method to avoid customs or taxes inside another country.
- **Be careful how you pay.**
- Never wire money directly to a seller.
- Avoid paying for items with pre-paid gift cards. In these scams, a seller will ask you to send them a gift card number and PIN. Instead of using that gift card for your payment, the scammer will steal the funds, and you'll never receive your item.
- Use a credit card when shopping online and check your statement regularly. If you see a suspicious transaction, contact your credit card company to dispute the charge.
- **Monitor the shipping process.**
- Always get tracking numbers for items you buy online, so you can make sure they have been shipped and can follow the delivery process.
- Be suspect of any credit card purchases where the address of the cardholder does not match the shipping address when you are selling. Always receive the cardholder's authorization before shipping any products.

HOLIDAY SCAMS

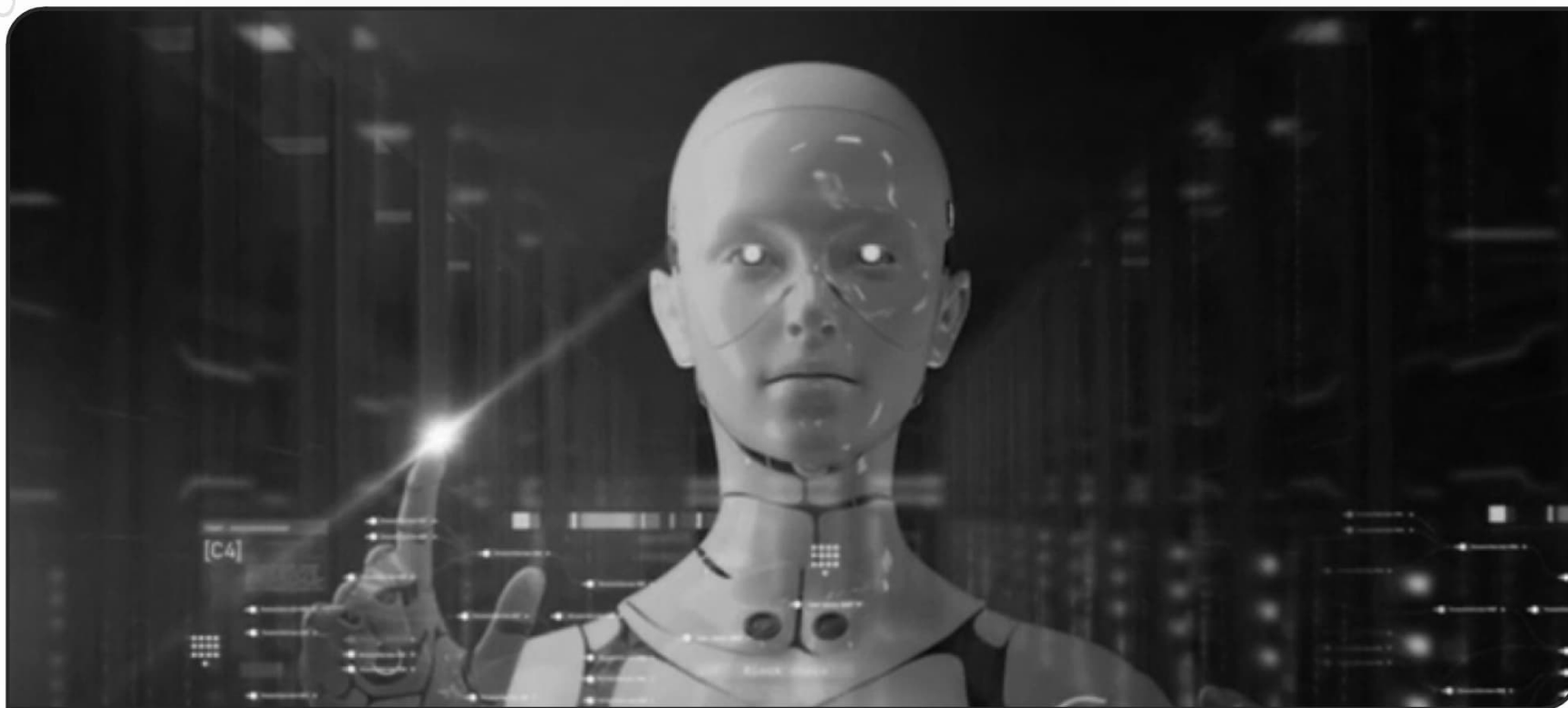
- **Social Media Scams** Scammers use social media sites to offer holiday promotions, vouchers, or gift cards by completing surveys designed to compromise your personal information. **Gift Card Scams** Victims receive a spoofed email, call, or text asking them to purchase multiple gift cards for personal or business reasons.

PANDEMIC SCAMS



PANDEMIC SCAMS

- Scams related to Economic Stimulus & Small Business Relief programs
 - IRS & SBA
- Debt Collection Scams
- Employment Scams
- Unemployment Scammers – Personal Story
- Economic Stimulus Check – College Students
- Targeted Coronavirus Aid, Relief and CARES Act
- Contact Tracing Text Scams
- Rental Scams on the rise
- EMD & Closing Funds Scams
- Fake Cashiers Checks
- Fed Ex labels/return labels
- <https://www.consumer.ftc.gov/features/scam-alerts>
- IC3 Received 28,500 complaints related to Covid-19
- NEW! Buying Fake Vaccination Cards –
<https://www.ic3.gov/Media/Y2021/PSA210330>



AI SCAMS ON THE RISE

AI SCAMS

- How is AI used in scamming?
 - Scammers often pull personal information from social media profiles and other online sources. They then use this information together with AI technology to personalize scam texts and emails, making them more convincing and harder to detect as fake.
- Scammers are increasingly turning to artificial intelligence (AI) tools to clone the voices of individuals they target on social media to place panicked calls to their family or friends in the hope of convincing the unwitting recipient of the call to give them money or access to sensitive information.
- With the help of AI-generated content, scammers can craft convincing property descriptions, generate realistic images of non-existent properties, and even fabricate virtual tours to deceive prospective buyers. These fake listings can appear on legitimate platforms, making them challenging to identify.
- Creating Fake Id's of Property Owners

TOP 7 REAL ESTATE SCAMS

[HTTPS://THECLOSE.COM/REAL-ESTATE-SCAMS/](https://theclose.com/real-estate-scams/)

1. AI Real Estate Scams

- They go by many names—vacation rental fraud, “the invisible home,” and Craigslist scams—but now they are being amplified by cybercriminals using generative artificial intelligence (AI) tools such as ChatGPT, Bard, Bing, Claude, Midjourney, and Dall-E. These tools help criminals create convincing fake emails, texts, voicemails, videos, photos, and websites to steal sensitive information and trick targets into responding. AI tools can also erase items from an image or add others. Both can be tricky when dealing with real estate property images.
- Cybercriminals use deepfakes—highly realistic false images and videos of people, objects, and scenes—to advertise properties for sale or lease as a short-term or vacation rental. The goal is to urgently convince consumers to make a payment on real estate that doesn’t exist.

2. Disaster Contractor Scams

- In the aftermath of disasters, dishonest contractors swoop in to prey on desperate homeowners and disaster victims needing emergency repairs. They’ll demand upfront fees and then completely abandon the job, stranding families in damaged, unsafe homes. Some even perpetrate bold scams soliciting fake relief donations.

3. Property Donation Scams

- A property owner donates unsalable land containing contaminants or environmental dangers, or one that’s subject to negative market conditions. After donating, the seller avoids taxes, insurance, and holding costs while getting a tax deduction for the appraised value. The nonprofit victim inherits the need to repair or dispose of the property, often at a substantial loss.

TOP 7 REAL ESTATE SCAMS

[HTTPS://THECLOSE.COM/REAL-ESTATE-SCAMS/](https://theclose.com/real-estate-scams/)

4. Real Estate Social Media Scams

- Using social engineering, cybercriminals use deceptive messages to elicit information they can use to steal people's identities or log into their accounts. They ask for personal information like pet names, first cars, childhood street names—answers that usually lead them to be able to guess passwords. Once they access an account, they can change profiles, erase content, and post damaging material.

5. Moving Scams

- Dishonest movers lure clients with lowball estimates and then jack up prices once belongings are loaded. Under pressure, many consumers may feel they have no choice but to accept inflated costs.

6. We Buy Ugly Houses Scam

- Buyers target desperate homeowners with lowball offers below market value. They then resell at higher prices for big profits. As documented by ProPublica and the Consumer Financial Protection Bureau, some use high-pressure tactics or false promises, such as claiming owners can remain in the home after closing. They often target those in bad financial situations or those with dementia.

7. Seller Impersonation/Vacant Land Scam

REAL ESTATE SCAMS

- Impersonations
 - Husband & Wife
 - Family Member
 - Arrowcreek (Reno)
 - Identity Theft
 - similar names



SCHEMES, SCAMS, & FRAUD

- Vacant Land Scam
 - Nevada – AG Masto 2011
 - Absentee Owner
 - FSBO
 - \$150,000 vs \$1million
 - Title Co. Not accepting Personal EMD on land
 - Why?



VACANT LAND SCAM 2011



STATE OF NEVADA
OFFICE OF THE ATTORNEY GENERAL
555 East Washington Ave., #3900
Las Vegas, Nevada 89101-1068

This ALERT contains critical information and requests for information related to ongoing law enforcement activities.

VACANT LAND THEFT

A network of thieves, originating from Mexico and California, has been making repeated attempts over the last year to sell vacant land in Southern Nevada to unsuspecting buyers. The properties have been vacant parcels located within Clark County. The thieves assume the identity of the true property owners who reside in California. Advertisements are placed in the local newspapers enticing buyers to purchase land for investment or homebuilding at extremely good prices.

Once a contact is made by a buyer, the imposter seller provides sufficient information about the property and recommends a particular escrow company. The remainder of the transaction takes place through all methods of communication *without* a physical appearance by the seller. Fraudulent identification, forged signatures, and false notary stamps are used by the seller to finalize the paperwork. Upon closing, the money is wired into an account with a different name than the seller, allegedly belonging to a family member. After the transaction is completed, the money is quickly funneled out of the account and taken back across the border to Mexico.

The true property owners do not discover the theft until months after its occurrence. The true owners are deprived of the use of their property until the title can be reverted back to themselves. The buyers are deprived of their money used to purchase the property until the title insurance company settles the claim for the fraudulent land sale. The title insurance company is deprived of their money when they settle the fraudulent land sale claims. The total loss to all victims does not include the time, energy and money spent by all parties involved to return the title to the rightful owners.

This scam originated approximately 3 years ago in California where their cases total above 40 transactions. Nevada received its first attempts in early 2011. One fraudulent transaction was successful in May 2011. An attempt in late 2011 was thwarted as well as an attempt in March 2012. Based on current information to date, this scam has only circulated within Clark County. The mastermind behind this scam is Salvador Anzo (see additional media at the end).

ADVISEMENTS

- Ask the seller or buyer to provide a copy of the advertisement listing the property
- Verify that the seller's SSN and DL information is true and accurate.
- Verify that the current residential address provided by the seller corresponds with their ownership or rental records.
- Ask the seller to physically show up in person to sign documents or retrieve payment.
- Demand the seller to use a specific notary of your choosing.
- Require the seller to submit banking instructions for their own account of which they are a holder/signer.

The seller will terminate the transaction if required to do anything outside their preference.

ADDITIONAL MEDIA

http://abclocal.go.com/kabc/story?section=news/local/inland_empire&id=8235178

<http://lomalinda.patch.com/articles/district-attorney-officials-search-of-fraud-suspect>



Salvador Anzo – mastermind

CONTACT

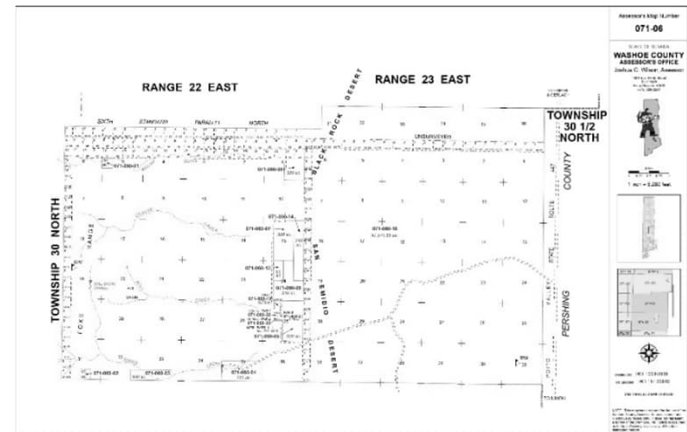
If you receive any information regarding the above mentioned scam or become involved in a case comprised of these elements or conditions, please contact Investigator Ryan Chester at the Office of the Attorney General – 702.486.4312 / rcchester@ag.nv.gov

CORRESPONDENCE

- There will never be a physical appearance made by the seller.
- All correspondence is handled via phone, fax, email, and mail.
- Email accounts previously used have been Yahoo or Hotmail services.
- Most faxes originate from a FedEx Kinko's or UPS Store location.
- The seller never answers the phone when their number is called.
- The buyer leaves a message after listening to a generic voicemail greeting.
- The seller will call back within 1-4 hours.
- The seller has always been a male and assumed the identity of the true property owner who resides in California.
- The seller has done research and gathered background information on the property owners, including limited biographical data.
- The seller's voice in 2011 spoke English with an American accent and was described as approximately 40-50 years old.
- The seller's voice in 2012 spoke English with a Mexican accent and was described as approximately 30-40 years old.
- The seller will insist on using a particular escrow company.
- Title insurance is typically purchased by the seller.
- Fake California driver licenses or U.S. passports are used for seller identification.
- Social security numbers provided will not belong to the seller names being used.
- Wiring instructions involve bank accounts where the seller is not an account holder/signer.
- The Seller Statement of Information will have the owner's occupation listed as self-employed, painting, contracting, or construction. The wife or spouse occupation will be listed as "homemaker".
- The Seller Statement of Information will have the residential information showing a current address of up to 1 year unrelated to the actual owner. The former address listed will normally be true to the actual owner.

REAL ESTATE SCAMS - VACANT PROPERTIES

The U.S. Secret Service has observed a sharp increase in reports of real estate fraud associated with vacant and unencumbered property. Criminals are posing as real property owners and through a series of impersonations are negotiating the sale of properties which are vacant or lien free. Criminals are using similar techniques that continue to be deployed in real estate specific **Business Email Compromise** (BEC) Schemes, to include open-source research.



Source: www.secretservice.gov

VACANT LAND SCAM

The Scheme:

The criminal searches public records to identify real estate that is free of mortgage or other liens and the identity of the property owner. These often include vacant lots or rental properties

The criminal poses as the property owner and contacts a real estate agent to list the targeted property for sale, and requests it being listed below current market value to generate immediate interest.

The criminal, posing as the property owner, refuses to sign closing documents in person, and requests a remote notary signing.

The criminal (or co-conspirator) also impersonates the notary and provides falsified documents to title company or closing attorney.

Title company or closing attorney unwittingly transfers the closing proceeds to criminal.

All communication is electronic, not in person.

Source: www.secretservice.gov

VACANT LAND SCAM

- The fraud is often discovered when recording the transfer of documents with the relevant county. This scheme has particularly affected elderly, out of state, and foreign real property owners, but it is not limited to these groups, because there are no means to automatically notify the legitimate owners. Therefore, the burden of verification is on the real estate and title companies.

Source: www.secretservice.gov

VACANT LAND SCAM

- How To Prevent

- Independently search for the identity and a recent picture of the property owner/seller.
- Request an in-person or virtual meeting and to see their government issued identification.
- Be on alert when a seller accepts an offer below market value in exchange receiving the payment in cash and/or closing quickly.
- Never allow a seller to arrange their own notary closing.
- Use trusted title companies and attorneys for the exchange of closing documents and funds.

Source: www.secretservice.gov

VACANT LAND SCAM

As you may or may not know, the Assessor's and Recorder's websites are public information and open to everyone in the world. Fraudsters are pulling information on absentee owners on vacant land and properties that are free & clear. The Fraudster will create a fake id and then will approach a real estate agent to list the property or post on social media or internet as a FSBO. The Fake Seller will then insist that they need to do a quick sale, will give a story that they have someone sick or some similar story that requires that the property sells immediately. They will also be reluctant to meet in person; require their own notary; will not be willing to sign documents with wet signature; and will give push back to the title company when title and escrow ask for specific and required information to close the transaction.

- Confirm that the Seller is the True Owner of the Property.
- Try and do a live streaming meeting using Zoom, Teams, Skype, Google, or FaceTime
- Order a Property Profile from Ticor Title Company to get more information about the property that only the owner would know and compare signatures if applicable.
- After you talk with the Seller, send them a "Thank You" card or a follow up with a direct mail piece to them using the mailing address from the assessor's office or treasurer's website.
- Use approved Notary through Ticor Title Company.
- Use "Forewarn" a Free/No Cost app for Realtors® provided by the Sierra Nevada Realtors® to look up information about the person you are working with.
- Listen to your gut!!

SELLER IMPERSONATION FRAUD IN REAL ESTATE



FRAUDSTERS are impersonating property owners to illegally sell commercial or residential property. Sophisticated fraudsters are using the real property owner's Social Security and driver's license numbers in the transaction, as well as legitimate notary credentials, which may be applied without the notary's knowledge.



Fraudsters prefer to use email and text messages to communicate, allowing them to mask themselves and commit crime from anywhere.

Due to the types of property being targeted, it can take months or years for the actual property owner to discover the fraud. Property monitoring services offered by county recorder's offices are helpful, especially if the fraud is discovered prior to the transfer of money.

Where approved by state regulators, consumers can purchase the American Land Title Association (ALTA) Homeowner's Policy of Title Insurance for additional fraud protection.

WATCH FOR RED FLAGS

CONSIDER HEIGHTENED SCRUTINY OR HALT A TRANSACTION WHEN A PROPERTY

- Is vacant or non-owner occupied, such as investment property, vacation property, or rental property
- Has no outstanding mortgage or liens
- Has a different address than the owner's address or tax mailing address
- Is for sale or sold below market value

CONSIDER HEIGHTENED SCRUTINY OR HALT A TRANSACTION WHEN A SELLER

- Wants a quick sale, generally in less than three weeks, and may not negotiate fees
- Demands proceeds be wired
- Wants a cash buyer
- Refuses or is unable to complete multifactor authentication or identity verification
- Is refusing to attend the signing and claims to be out of state or country
- Is difficult to reach via phone and only wants to communicate by text or email, or refuses to meet via video call
- Wants to use their own notary



www.alta.org

SHUTTERSTOCK / TANYA ANTUSENOK

SELLER IMPERSONATION FRAUD IN REAL ESTATE



TAKE PRECAUTIONS

CONTACT SELLER USING INDEPENDENT SOURCES

- Contact the seller directly at an independently discovered and validated phone number
- Mail the seller at the address on tax records, property address, and grantee address (if different)
- Ask the real estate agent if they have personal or verified knowledge of the seller's identity

MANAGE THE NOTARIZATION

- Require the notarization be performed by a vetted and approved remote online notary, if authorized in your state
- If remote online notarization is not available, the title company should select the notary. Examples include arranging for the seller to go to an attorney's office, title agency, or bank that utilizes a credential scanner or multifactor authentication to execute documents

VERIFY THE SELLER'S IDENTITY

- Send the seller a link to go through identity verification using a third-party service provider (credential analysis, KBA, etc.)
- Run the seller's email and phone number through a verification program
- Ask conversational questions to ascertain seller's knowledge of property information not readily available in public records
- Conduct additional due diligence as needed

USE THE PUBLIC RECORD

- Compare the seller's signature to previously recorded documents
- Compare the sales price to the appraisal, historical sales price, or tax appraisal value



CONTROL THE DISBURSEMENT

- Use a wire verification service or confirm wire instructions match account details on seller's disbursement authorization form
- Require a copy of a voided check with a disbursement authorization form
- Require that a check be sent for seller proceeds rather than a wire

FILE FRAUD REPORTS

- IC3.gov
- Local law enforcement
- State law enforcement, including the state bureau of investigation and state attorney general
- Secretary of state for notary violations

FIGHT FRAUD WITH INDUSTRY PARTNERS

- Educate real estate professionals in your community, such as county recorders, real estate agents, real estate listing platforms, banks, and lenders
- Host educational events at the local or state level
- Alert your title insurance underwriter of fraud attempts

SHUTTERSTOCK / TANYA ANTUSENOK

www.alta.org

BE AWARE! VACANT LAND SCAMS ARE ON THE RISE!

THINGS TO BE AWARE OF WHEN LISTING OR SUBMITTING AN OFFER ON A VACANT LAND OR ABSENTEE OWNER PROPERTY

As you may or may not know, the Assessor's and Recorder's websites are public information and open to everyone in the world. Fraudsters are pulling information on absentee owners on vacant land and properties that are free & clear. The Fraudster will create a fake id and then will approach a real estate agent to list the property or post on social media or internet as a FSBO. The Fake Seller will then insist that they need to do a quick sale, will give a story that they have someone sick or some similar story that requires that the property sells immediately. They will also be reluctant to meet in person; require their own notary; will not be willing to sign documents with wet signature; and will give push back to the title company when title and escrow ask for specific and required information to close the transaction.

1. Confirm that the Seller is the True Owner of the Property.
2. Try and do a live streaming meeting using Zoom, Teams, Skype, Google, or FaceTime
3. Order a Property Profile from Ticor Title Company to get more information about the property that only the owner would know and compare signatures if applicable.
4. After you talk with the Seller, send them a "Thank You" card or a follow up with a direct mail piece to them using the mailing address from the assessor's office or treasurer's website.
5. Use approved Notary through Ticor Title Company or Reputable Title Company in area.
6. Use "Forewarn" a Free/No Cost app for Realtors® provided by the Sierra Nevada Realtors® & Incline Village Realtors® to look up information about the person you are working with.
7. Property Owner can also create a Google Alert on Property Address so that you are notified of property promoted on the internet.
8. Listen to your gut!!

For more Information about this recent scam and how to avoid it, please reach out to our team at Ticor Title Company for more guidance. Email: salesteam@ticortitle.com

COUNTY RECORDING NOTIFICATION SERVICE

These County Recorder's Offices have launched a
FREE service available to Property Owners.
Recording Notifications provide property owners with secure
email alerts whenever documents record on their property.

SCAN QR CODE TO SUBSCRIBE

Washoe County



Carson City County



Douglas County



Lyon County



www.TicorNNV.com

FOREWARN



FOREWARN®

The RSAR is thrilled to announce a **COMPLIMENTARY PROACTIVE SAFETY AND LEAD INTELLIGENCE** service for all RSAR members!

FOREWARN brings intelligence to the real estate industry through innovative solutions to help ensure safer engagements and smarter interactions.

The FOREWARN application gives an agent the ability to gain instant insight (within seconds) on a prospective client using only a phone number! *Don't have a phone number...* you can also search by name.

Instantly verify:

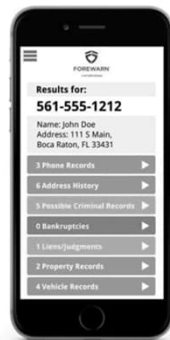
- **Identity** (first name, last name, alias, and age)
- **Phone numbers** (residential and mobile history)
- **Address history** (rental, ownership, and associated addresses)
- **Financial indicators** (bankruptcy, lien, and judgement history)
- **Property records** (nationwide property ownership history)
- **Criminal records** (nationwide criminal history search)

Verifying your prospects in FOREWARN is not only critical for your personal safety and efficiency, but also a benefit to your listing homeowners, providing an added layer of protection for their homes and families.

Setting Up Your Complimentary FOREWARN Account

As a RSAR member, setting up your complimentary FOREWARN account is quick and easy!

1. [Click here](#) and enter your email address when prompted to do so (be sure to use the same email address that this email was sent to as it will serve as your FOREWARN 'Username').
2. You will receive an activation email from FOREWARN, open it and click the link as instructed. If you do not see the email, be sure to check your junk/spam folder.
 - a. **If you do not see the email after checking your junk or spam folder, this may be due to the fact that your account could not be setup as FOREWARN does not have your cell phone number. Please contact FOREWARN Support at 561.757.4551 to provide them with your cell phone number.**
3. The link takes you to a page where you will enter the last 4 digits of your phone number.
 - a. If the first 6 digits of the number displayed are not related to your cell phone number, please contact FOREWARN Support at 561.757.4551 to update them with your correct cell phone number.
4. You will be prompted to enter a confirmation code that will have just been texted to that phone number. Upon confirmation you will be prompted to create a password.
5. Now you are ready to download the FOREWARN app by clicking on the appropriate link below from your mobile device, or searching for FOREWARN in the app store:
[Click here from your mobile device for iOS / Apple / iPhone / iPad app](#)



[Click here from your mobile device for Android app](#)

6. After activating your account, you can also log into your FOREWARN account from any web browser via the FOREWARN.com homepage (click 'Sign In' at top-right) or via this link: <https://app.forewarn.com/>

Searching FOREWARN in Seconds

- FOREWARN provides instant & mobile identity verification and public records (criminal, property, court, etc.) for over 98% of the U.S. adult population.
- With FOREWARN's roughly 90% coverage of mobile and residential phone numbers, you should be able to search and verify most people from their phone number alone.
- When you are unable find an individual in FOREWARN using a phone number, this does not necessarily mean fraud or criminal intent. FOREWARN users are encouraged to gather further details and use the additional search functionality (the "Search by name" link) within the FOREWARN app to ensure verification of the prospect.
- Name search tip: When searching by name, if there are more than 100 results to your query, FOREWARN will display "Too many records found" and prompt you to re-run your search using additional criteria.
- Phone search tip #1: In the search results, FOREWARN displays all the individuals who have ever been associated/linked with the searched phone number. It is normal for multiple people to be linked to a single phone number, either as previous owners of the phone number, or relatives.
- Phone search tip #2 – "Record not found": If you search missed calls from telemarketing companies (typically they will not leave a voice message), you will get the result "Record not found" because that phone number has never been owned by, or associated with, a person.

IMPORTANT – COMPLIANCE:

Please note that you must limit your FOREWARN searches to professional uses only. FOREWARN is only to be for verifying inbound prospects that have initiated the interaction, such as when a buyer, or seller themselves have initiated a request for information or service. FOREWARN cannot be used to verify information for outbound marketing efforts. FOREWARN activity is actively monitored (search terms and volume) to ensure proper use by our Subscribers as outlined in the Subscriber Agreement and the FOREWARN Terms and Conditions. FOREWARN is a powerful tool intended only for the increased safety and efficiency of your business. Proper use of the service by real estate professionals ensures that we can continue to provide this valuable tool to the industry.

For a [brief video introduction and tutorial](#) on FOREWARN, you can also [click here](#).

FOREWARN Customer Support

If you experience any difficulty setting up your password or logging into FOREWARN, please reach out to FOREWARN support at 561-757-4551 or support@forewarn.com (Monday – Friday; 9AM-5PM ET).

REAL ESTATE SCAMS

- Google Alerts
 - <https://www.google.com/alerts>
- County Recorder Notification Service
- <https://rns.washoecounty.us/subscribe>
- Trusts/LLC's



The graphic is a promotional announcement for the Washoe County Recorder's Office. It features a circular seal on the left with the text "WASHOE COUNTY, NEVADA" and "1861" around a central emblem. Below the seal, it says "COUNTY RECORDER". To the right of the seal, the text reads: "Announcing New Recording Notification Service", "The Washoe County Recorder's Office launches a free service available to Washoe County residents.", and "Recording notifications provide property owners with secure email alerts whenever a document is recorded at the Washoe County Recorder's Office." Below this text is a portrait of Kalie M. Work, identified as "Kalie M. Work, Washoe County Recorder". To the right of the portrait, it says: "Scan the QR code to subscribe or visit washoecounty.us/recorder to learn more." A QR code is located at the bottom right of the graphic. The background of the graphic shows a house.

Announcing New Recording Notification Service

The Washoe County Recorder's Office launches a free service available to Washoe County residents.

Recording notifications provide property owners with secure email alerts whenever a document is recorded at the Washoe County Recorder's Office.

Scan the QR code to subscribe or visit washoecounty.us/recorder to learn more.

Kalie M. Work
Washoe County Recorder

TITLE LOCK COMPANIES

January 24, 2023 | Press Release | Consumer Protection/Scams

Paxton Announces Investigation of Home Title Lock for Potentially Misleading Texas Consumers

SHARE THIS:      31

Attorney General Paxton has announced an investigation of Home Title Lock for potentially violating the Texas Deceptive Trade Practices Act by misleading consumers with deceptive statements concerning the prevalence of home title theft and the need for Home Title Lock's services.

Home Title Lock is a California-based entity that claims to provide 24/7 monitoring of a consumer's home title. The company has received scrutiny in recent months over questionable claims in its advertisements, including its claim that the FBI calls home title theft "one of the fastest growing white-collar cyber-crimes in America." According to news reports, Home Title Lock admitted that it markets to "older customers."

To address these concerning reports, Attorney General Paxton issued a Civil Investigative Demand (CID) to Home Title Lock to investigate whether the company's claims and advertisements are false, misleading, or deceptive. The CID requires Home Title Lock to turn over documents regarding its advertisements and all documents substantiating certain claims.

"I won't tolerate false, misleading, or deceptive advertisements targeted to any Texas consumers—especially Texas seniors," said Attorney General Paxton. "If Home Title Lock is misrepresenting its services or the need for its services, I will put a stop to its unlawful behavior."

- Monitors Recordings on property
- \$19.95/month
- Does not protect you, just notifies you of recording of documents

Arizona to Require Counties to Alert Owners When Document Recorded Against Property

April 18, 2023

Arizona passed a bill that requires county recorders to provide a system for notifying property owners when a document is recorded against their property.

SB 1110 specifies that the system is voluntary on the part of property owners and must be implemented by Jan. 1, 2025. The property owner must opt in to receive notifications, which could include email, text message or other similar means.

The bill states the cost to county recorders depends upon their current technological and personnel capacity. Counties with a highly automated system of storing records would likely have one-time costs to develop an electronic or phone-based notification system. Counties without a highly automated system might have ongoing personnel costs to review records to comply with any such requests for notification pursuant to the bill.

Pinal and Yavapai counties already have a notification system in place, while Maricopa County is in the process of implementing a notification system. It's reported Maricopa County is spending \$50,000 in one-time start-up costs and \$20,000 in ongoing expenditures for its system. Arizona has 15 counties.

City attorneys' offices of San Diego and San Francisco have **issued a subpoena** for information from Home Title Lock they allege uses deceptive advertising to convince homeowners to purchase unnecessary home title monitoring services.

"Home Title Lock is a scam, plain and simple," said San Francisco City Attorney Chiu. "The company has manufactured a "home title theft" crisis to stir up fear amongst elderly homeowners and deceive them into buying a service that many local governments provide for free. False identity theft scares, like those created by Home Title Lock, take attention away from important privacy and data security efforts. We are seeking further information to understand how many California homeowners may have been harmed by these misleading advertisements."

- <https://www.cbs8.com/article/news/local/attorneys-subpoena-company-providing-home-title-theft-services/509-26a836b5-9fa9-4c6b-8473-363eec1e52af>

LOCAL NEWS

SD, SF city attorneys subpoena company providing home title theft services

City Attorneys' San Diego and San Francisco offices announced they issued a subpoena for information from a company they allege provides home title theft services.



DEED THEFT



DEED THEFT

The term deed or title theft can be deceiving. With the circulation of inaccurate information, homeowners may believe that thieves can steal title to their home simply by forging a deed and recording it in the county records. Homeowners may also believe that the deed to their home can be stolen and pledged as collateral to obtain a loan and strip all the equity from the home without the true homeowner's knowledge.



Recently, companies have formed a new type of service which offers deed monitoring services where they purport to regularly check the county records to identify any fraudulent activity involving the title to a homeowner's property.

The companies describe a very rare criminal act. Through an elaborate and carefully worded marketing campaign, these companies prey on the fear that someone is going to "steal" a homeowner's deed or title to their home.

These providers charge a monthly or annual service fee and simply notify the homeowner if anything pops up. This all occurs **AFTER** someone has recorded a forged deed. It does not prevent a scammer fraudulently transferring your title.

Although it is true that anyone can forge someone's name and record documents, such as a deed, it does not make the thief the rightful owner of that property. Their service is not an insurance product and does not fix the fraudulent recording.

Here are a few items to consider when contemplating a subscription to this type of service:

- ➔ **FIRST**, there is no way to "lock" a title or deed.
- ➔ **SECOND**, anyone can monitor the county records at any time by either visiting the county office in person or checking online. In most cases, monitoring the county records online is free of charge and some counties offer an automated option.
- ➔ **THIRD**, this type of service is not a replacement for title insurance. A home title lock cannot replace title insurance. Their services do not help cover any financial burden of title issues or mortgage fraud.
- ➔ **LAST**, even if a forged deed is recorded in the county — the homeowner does still own their home. Even if the fraudster does take out a loan secured by the stolen property the homeowner is not the victim; the lender is, since the scammer never legally owned the property a lender has no legal claim and would be unable to foreclose when the fraudster fails to repay the loan.

Continued...



DEED THEFT

Lenders protect themselves by requiring the borrower to purchase a lender's title policy as a part of the loan closing process. When a lender suffers a loss due to a forgery in the chain of title, they file a claim under their title insurance policy. This is why it is important to understand these title lock services are nothing like title insurance.



Title insurance is purchased once, at the time a buyer purchases the property, and it provides the insured or their heirs protection against fraud or forgery that occurred prior to the time the insured purchased the property. Title insurance companies protect the integrity of the county records in this country since they examine the chain of title for any potential discrepancies. It is the best way for homebuyers to protect their investment.



MORAL OF THE STORY

Always purchase title insurance when purchasing real property. Learn how to monitor the county records for free. If a forged document is recorded, affecting title to your home, notify the county and law enforcement.

If the forged document is a mortgage or deed of trust, contact the beneficiary to notify them it is a forgery and ask them to release their lien. If you prefer, contact an attorney.

Finally, keep in mind someone cannot simply steal your property out from under you by forging your name. Although it may be a nuisance to clear it up, it is still your home.

*Article provided by contributing author: Diana Hoffman, Corporate Escrow Administrator
Fidelity National Title Group, National Escrow Administration*

SCHEMES, SCAMS, & FRAUD

- Equity Skimming
 - Free & Clear Properties
 - Statement of Information Required
- Reconveyance Scam
- Payoff Scam
- Business License Scam
 - FNMA (Federal National Mortgage Assoc.)
- **Title Lock – Does it work? What is it?**
 - **Washoe Cty Recorder Service**



BUSINESS LICENSE DEED SCAM

- Federal National Mortgage Association
 - Aka FNMA or Fannie Mae
- Recorded Quitclaim deeds to properties owned by Fannie Mae
- Indicted on 9 felony charges for their roles in a scheme to transfer title of homes unlawfully.



OFFICE OF THE ATTORNEY GENERAL

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FOR IMMEDIATE RELEASE

Date: May 16, 2019

Contact: Monica Moazez

Mmoazez@ag.nv.gov / 702-486-0657

Attorney General Ford Announces Indictment of Two Nevadans for Real Estate Fraud

Las Vegas, NV – Today, Nevada Attorney General Aaron D. Ford announced that Ernest Aldridge, 78, of Fernley, and Clarence Willis, 76, of Las Vegas, were indicted on a total of nine felony charges for their roles in a scheme to transfer title to homes unlawfully. The charges include six counts of theft in the amount of \$3,500 or more, a category "B" felony; two counts of burglary, a category "B" felony; and one count of multiple transactions involving fraud or deceit in the course of enterprise or occupation, a category "B" felony. The alleged frauds were committed between July and October 2015.

According to the indictment, Willis obtained a Nevada business license in the name of Federal National Mortgage Association (FNMA or Fannie Mae). He then recorded quitclaim deeds to properties owned by the federally chartered entity of the same name, purporting to convey these properties to Aldridge. In doing so, Willis and Aldridge deprived Fannie Mae of the ownership of these properties.

"Attempting to fleece a business out of its properties is a fraud that my office will continue to scrutinize," said AG Ford. "My prosecutors will work with our partner agencies to protect the integrity of our businesses."

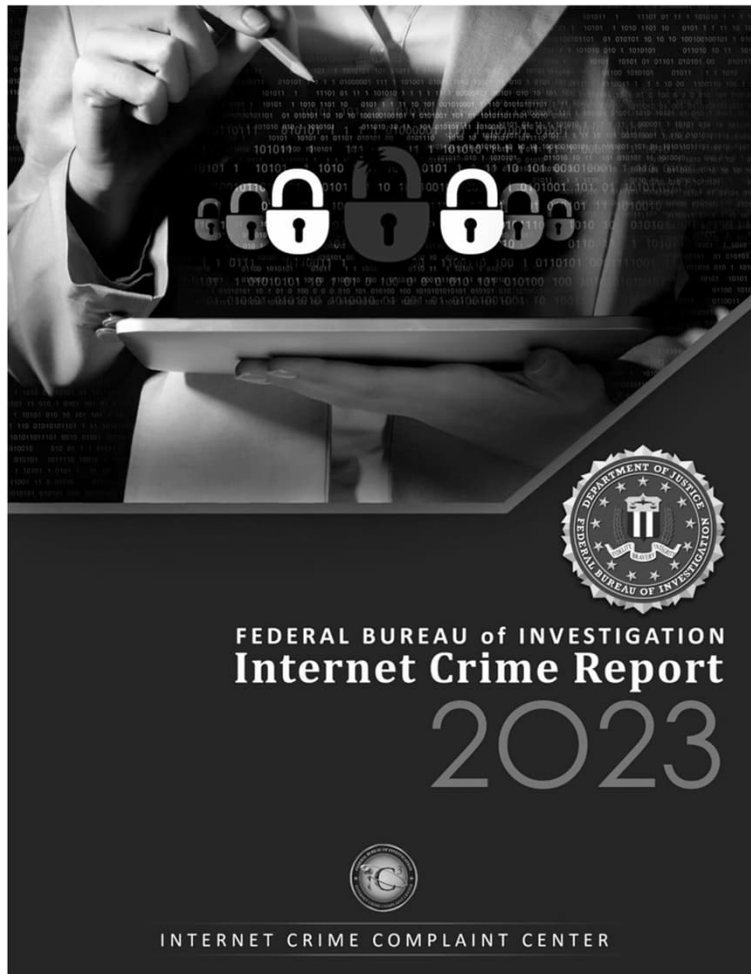
This case was investigated by the Federal Housing Finance Agency, Office of the Inspector General. The case is being prosecuted by the Attorney General's Criminal Prosecution Division.

An indictment is merely a charging document; every defendant is presumed innocent until and unless proven guilty in a court of law.

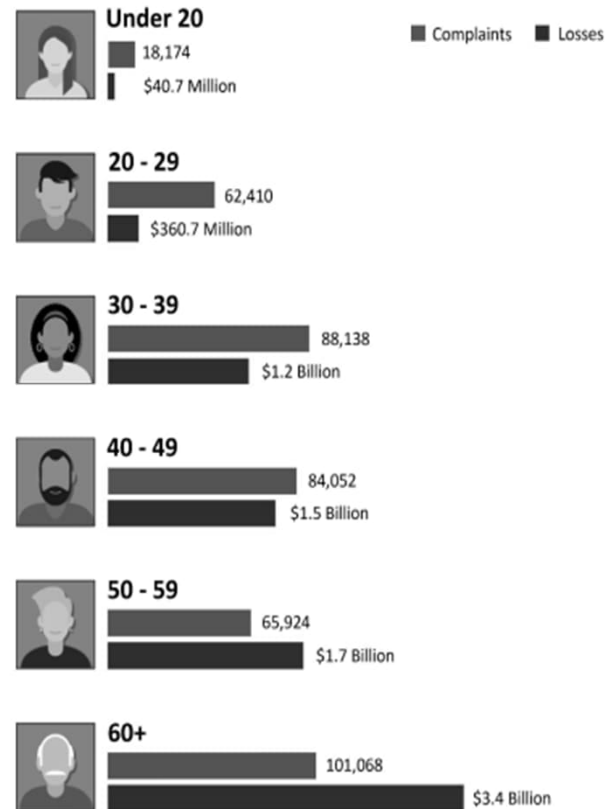
The indictments against Aldridge and Willis are attached. To file a complaint about someone suspected of committing a fraud, click [here](#).

###

VICTIMS BY AGE GROUP



2023 - COMPLAINANTS BY AGE GROUP ¹³

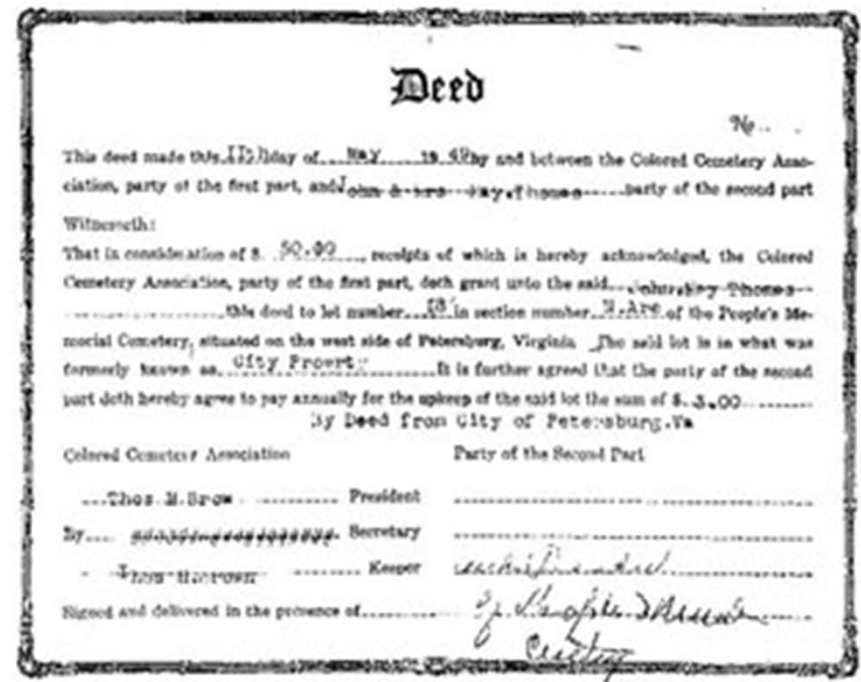


ELDER ABUSE/FRAUD

- IC3 Report – 101,068 complaints; over 60; losses of \$3.4 Billion
- Elder Abuse - Elder Fraud is defined as a financial fraud scheme which targets or disproportionately affects people over the age of 60.
- Romance Fraud – Recent Ticor Transaction
- Advance Fee Schemes, Investment Fraud Schemes, Romance Scams, **Tech Support Scams**, Grandparent Scams, Government Impersonation Scams, Sweepstakes/Charity/Lottery Scams, Home Repair Scams, TV/Radio Scams, and Family/Caregiver Scams. If the perpetrators are successful after initial contact, they will often continue to victimize these individuals.
- <https://www.justice.gov/elderjustice>

SCHEMES, SCAMS, & FRAUD

- Power of Attorney
 - Statutory POA
 - Elder Abuse
- POA/Guardianships
- Uninsured Deeds or Documents in the Chain of Title
 - Adverse Possession
 - Quit Claim Deeds
- Recorded Deed Notice
 - Copy of Recorded Deed (\$86)



SCHEMES, SCAMS, & FRAUD

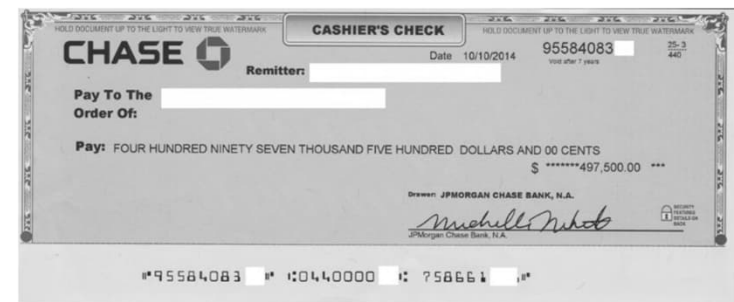
- Notary Fraud

- Recording Deeds Transferring Title
- Fake Notary Stamps
- Stolen Notary Stamps



- Checks & Cashiers Checks

- Fake Checks
 - Unsecured Email example
- Fake Cashiers Check



IT CAN HAPPEN TO ANYONE OR BUSINESS!

- According to the FBI 2023 Internet Crime Report, over \$2.9 Billion dollars of funds have been diverted through Business Email Compromise (BEC/EC)

- Nevada is ranked #6
- Victims per State
- Ranked #19 \$83 million in losses.



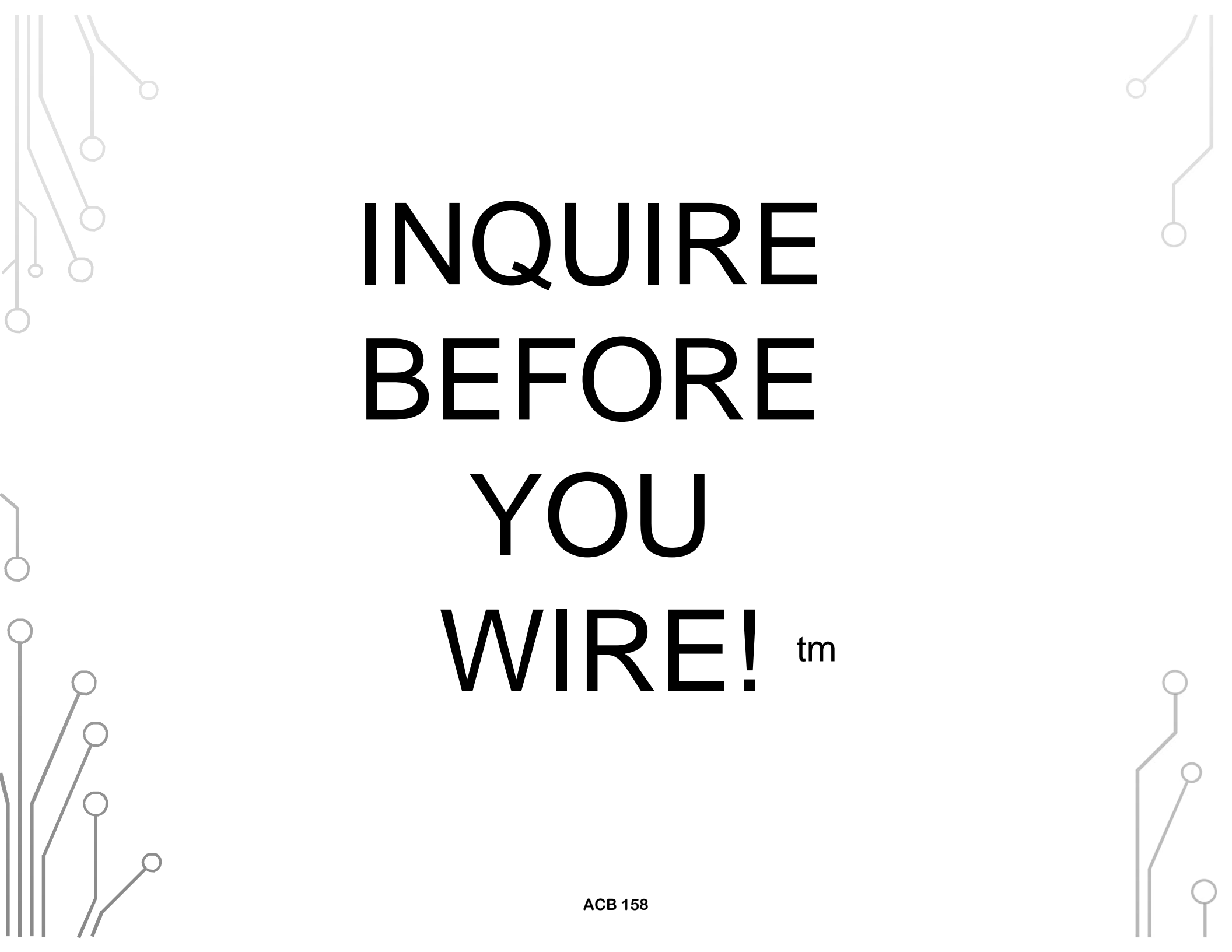
FBI INFO/IC3

- Out of 30 crime types that FBI investigates, Business Email Compromise is #1.
- In 2018, IC3 reported \$1.2 Billion Dollars in Losses due to BEC
- In 2019, IC3 reported \$1.7 Billion Dollars in Losses due to BEC
- In 2020, IC3 reported \$1.8 Billion Dollars in Losses due to BEC
- In 2021, IC3 reported \$2.4 Billion Dollars in Losses due to BEC
- In 2022, IC3 reported \$2.7 Billion Dollars in Losses due to BEC
- In 2023, IC3 reported \$2.9 Billion Dollars in Losses due to BEC
- Be careful of open source email – e.g. gmail, yahoo, aol, etc.
- Money Mules
- Social Engineering
- Who to call or contact:
 - Local Field Office of FBI
 - www.IC3.gov
 - www.secretservice.gov



BEC & WIRE FRAUD

- Criminals compromising the email accounts of real estate agents, lenders, attorneys, escrow officers, buyers, and sellers. Criminals are compromising and **spoofing & stack spoofing** email accounts and using information gained from the hack to re-direct and target a party into a fraudulent wire transfer. The Fraudsters will send an email that appears to be from one of the parties in a transaction (spoof), informing the recipient, like a buyer, that there has been a last minute change to the wiring instructions.
- The fraudsters are also going as far as purchasing a similar email address, using a similar signature block, and posing as one of the parties and trying to have a buyer or seller re-direct their wire. The email address will be very similar and will be off one or two letters.
- Make sure to check the email address to make sure it is consistent with previous emails sent by a party of the real estate transaction.
- **EDUCATE YOUR BUYERS & SELLERS OF WIRE FRAUD**

The image features a minimalist design with decorative circuit-like lines in the corners. These lines are composed of straight segments and small circles, resembling a stylized electronic schematic. They are located in the top-left, top-right, bottom-left, and bottom-right corners of the page.

**INQUIRE
BEFORE
YOU
WIRE! tm**

BEC & WIRE FRAUD



To prevent fraudulent wire transfers, **make sure to have your buyer or seller contact the email sender by phone to ensure that it was a legitimate email.** If the escrow officer receives an email from a buyer or seller to wire to an account, the escrow officer is contacting the buyer and seller by phone to make sure they sent the email and confirm wiring instructions.



Also, it is imperative that parties to a real estate transaction use encrypted software to protect client information. If you receive information encrypted, do not forward personal information of your clients, or the criminal could use the personal information to gain access to client accounts, social security numbers, etc.



BEC & WIRE FRAUD

- Return Wire Scam
- Earnest money - Accepted Offer
- Posing as lender – closing is delayed
- Modified Payoffs
- Real Estate Agent Commissions
- Wire early and get a discount
- Using sensitive info to scam - Prelim
- Compromising Caller Id
- Social Media
- Hospice
- Account Dept. Billings Invoices

BEC & WIRE FRAUD

HOW TO PROTECT YOU & YOUR CLIENTS

- Immediately alert all of your clients about wire fraud
 - Email signature line & Wire Fraud Disclosure
- Encrypting Emails – Per NRS 603A.040
- Pick up the phone – Don't always use email to communicate
- Alert clients that the emails being sent by the fraudsters usually have red flags (grammar, urgency, etc.)
- Make sure you have taken step to insure your email accounts have not been compromised – Two Factor Authentication
- Scrutinize every email especially if they contain money or wiring instructions
- Never use the same password for different websites
- Do not over share your personal information online
- Do not forward email that were sent to you encrypted
- Do not post information on Facebook or social media about your client closing until after it records. Get authorization from client to post.
- Check your Email (Outlook/Gmail) for Manage Rules – Auto forwarding emails to fraudsters.
- Provide Escrow Officers with client phone, email, and contact info.

BEC & WIRE FRAUD COURT CASE

- Bain v Continental Title
- Bain v Platinum Realty & Kathryn Sylvia
- A real estate buyer (“Buyer”) purportedly received an email from her real estate representative (“Buyer’s Representative”) that provided new wiring instructions for the upcoming closing on a property. The Buyer used the false instructions to wire the purchase money to the fraudulent account and lost \$196,622. The criminal had infiltrated the email exchanges between the parties to the transaction and created fake email accounts that were very similar to the email accounts used by the parties. The criminal had used these accounts to transmit the false wire instructions that were eventually sent to the Buyer.
- **The case went to trial, and the jury found that the Buyer’s Representative was 85% responsible for the loss and the court entered judgment against the Buyer’s Representative for \$167,129.** The Buyer’s Representative filed a post-trial motion seeking a determination in her favor.

SCHEMES, SCAMS, & FRAUD

- **Co-mingling of Funds/Defalcation**
 - Local Escrow & Title Company
 - Should never use money from Trust or B/S Funds
 - Commission Checks Bounced
 - Seller or Buyer Funds Misappropriated – Proceeds short, Payoff short, Buyer wire or funds moved.
 - Make sure to read the closing statement signed at the table vs. final closing package
- Mobile Bank Apps
 - Deposits
- LLC's
 - Selling properties without consent
 - Changing LLC's and managing member info on Website
- Trusts
 - Selling properties without consent
 - Family member
 - Death
- Common Ways To Take Title
- Divorce
 - Selling properties without disclosing divorce decree



SCHEMES, SCAMS, & FRAUD

- Rental Scams
- Caller ID Spoofing
- Real Estate Assistant
 - Email cyberattack



CYBER ATTACKS

- Phishing Scam
 - Google Docs
 - DocuSign
 - How to Prevent Phishing Scams
 - IRS Phishing Scam REALTOR Mag Chase Card Phishing FTC Warning about Phishing closing costs Malware/Ransomware – Baltimore, Maryland
 - 2020 IC3 received 2,474 complaints; \$29.1 million in losses
- **Wireless access Starbucks**
- MLS
- Tech Support Fraud - This scheme involves a criminal claiming to provide customer, security, or technical support or service in an effort to defraud unwitting individuals. Criminals may pose as support or service representatives offering to resolve such issues as a compromised e-mail or bank account, a virus on a computer, or a software license renewal. Some recent complaints involve criminals posing as customer support for well-known travel industry companies, financial institutions, or virtual currency exchanges.



ENCRYPTION

- Why?
 - Cybersecurity
 - Breach of the security of the system data
- Personal Information
 - Government Regulation
 - **State of Nevada – NRS 603A.040 “Personal Information” PII – See attached supplement Pg. 35-38**
 - **50 States in the U.S. have similar laws**
 - Social Security Number, Drivers License, credit card, account numbers
 - Case no: A-19-798846-B – State of Nevada vs. Equifax
- **NVR Letter**
- E&O Insurance – Are you covered if your email is compromised?
- Encryption Software?
 - Virtru – www.virtru.com
 - Zix.com
 - Sharefile.com



CFPB & ALTA

- CFPB (Consumer Financial Protection Bureau)
- ALTA (American Land Title Association)
 - ALTA Best Practices
 - Dodd Frank Act
 - Background Checks
 - Clean Desk Policy
 - Encryption – Protecting Client Information

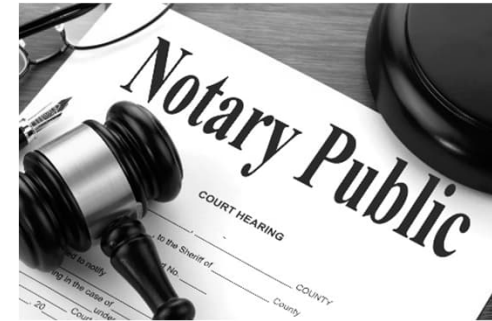


NOTARY REQUIREMENTS

- Top Title Insurance Claim in U.S. in the past few years....
 - Notary Fraud
- Approved Notary Requirements
 - Notary must have \$100,000 bond
 - Specific Paperwork
 - Background Check
 - Not related to real estate transaction
- Out of State Notary
 - Approved Notary with our company
 - Make sure to notify escrow officer if client is out of state
- Out of Country
 - U.S. Consulate
 - Make sure to notify escrow officer if client is or will be out of the country



NOTARY



- **NRS 240.075 Prohibited acts.** A notary public shall not:
 - 1. Influence a person to enter or not enter into a lawful transaction involving a notarial act performed by the notary public.
 - 2. Certify an instrument containing a statement known by the notary public to be false.
 - 3. Perform any act as a notary public with intent to deceive or defraud, including, without limitation, altering the journal that the notary public is required to keep pursuant to NRS 240.120.
 - 4. Endorse or promote any product, service or offering if his or her appointment as a notary public is used in the endorsement or promotional statement.
 - 5. Certify photocopies of a certificate of birth, death or marriage or a divorce decree.
 - 6. Allow any other person to use his or her notary's stamp.
 - 7. Allow any other person to sign the notary's name in a notarial capacity.
 - 8. Perform a notarial act on a document that contains only a signature.
 - 9. Perform a notarial act on a document, including a form that requires the signer to provide information within blank spaces, unless the document has been filled out completely and has been signed.
 - 10. Make or note a protest of a negotiable instrument unless the notary public is employed by a depository institution and the protest is made or noted within the scope of that employment. As used in this subsection, "depository institution" has the meaning ascribed to it in NRS 657.037.

WHAT IS THE ROLE OF THE ESCROW OFFICER?

- The escrow officer is a neutral third party and acts for both parties and protects the interests of each within the authority of the escrow instructions. The escrow officer takes instruction based on the terms of the purchase agreement and the lender's requirements. Represents buyer & seller!
- Licensed with Nevada Department of Insurance
- Nevada Real Estate Division
- RESPA/CFPB
- Notary – Attorney General

WHO ARE ESCROW & TITLE COMPANIES REGULATED BY:

- Nevada Department of Insurance - NAC
- Nevada Real Estate Division – NAC/NRS
- Nevada Secretary of State – Notary/Business
- RESPA - The Real Estate Settlement Procedures Act
- CFPB (Consumer Financial Protection Bureau)
- U.S. Department of Housing & Urban Development (HUD)
- Office of the Comptroller of the Currency – Treasury

WHY DO YOU NEED A TITLE INSURANCE POLICY?

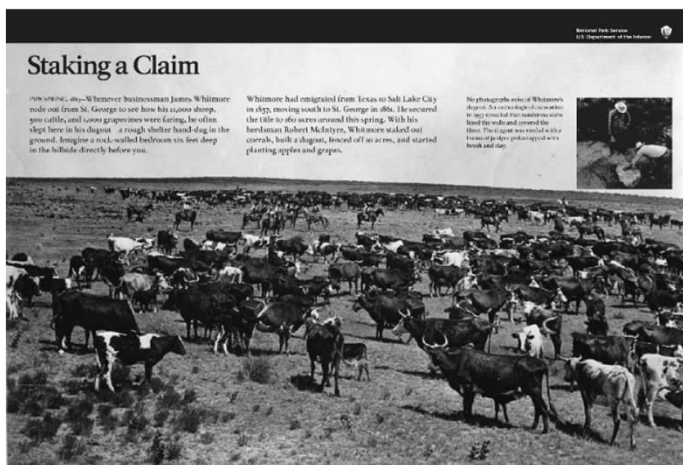
- If title insurance companies work to eliminate risks and prevent losses caused by defects in the title before the closing, why do you need a title insurance policy?
- The title to the property could be seriously threatened or lost completely by hazards which are considered hidden risk – “those matters, rights or claims that are not shown by the public records and, therefore, are not discoverable by a search and examination of those public records.” Matters such as **forgery**, **incompetency** or **incapacity of the parties**, **fraudulent impersonation**, and unknown error in the records are examples of “hidden risks” which could provide a basis for a claim after the property has been purchased.

TITLE POLICIES

- ALTA – American Land Title Association
 - www.alta.org
 - www.clta.org
- Lender's Policy of Title Insurance
 - Protecting the lender and deed of trust
- Owner's Title Policy
 - Protecting the current owner
 - For the life of the ownership



WHY WAS TITLE INSURANCE CREATED?



1876 – First Title Insurance Company
1892 – Ticor Title Company

Prior to the invention of title insurance, buyers in real estate transactions bore sole responsibility for ensuring the validity of the land title held by the seller. If the title were later deemed invalid or found to be fraudulent, the buyer lost his investment.

In 1868, the case of Watson v. Muirhead was heard by the Pennsylvania Supreme Court.^[2] Plaintiff Watson had lost his investment in a real estate transaction as the result of a prior lien on the property. Defendant Muirhead, the conveyancer, had discovered the lien prior to the sale but told Watson the title was clear after his lawyer had (erroneously) determined that the lien was not valid.

The courts ruled that Muirhead (and others in similar situations) was not liable for mistakes based on professional opinions. As a result, in 1874, the Pennsylvania legislature passed an act allowing for the incorporation of title insurance companies.

Joshua Morris, a conveyancer in Philadelphia, and several colleagues met on March 28, 1876 to incorporate the first title insurance company. The new firm, Real Estate Title Insurance Company of Philadelphia, would "insure the purchasers of real estate and mortgages against losses from defective titles, liens and encumbrances," and that "through these facilities, transfer of real estate and real estate securities can be made more speedily and with greater security than heretofore."

Morris' aunt purchased the first policy, valued at \$1,500, to cover a home on North 43rd Street in Philadelphia



WHAT ARE WE DOING TO PROTECT YOU & YOUR CLIENTS?

- Notary Requirements
- Asking Questions
- Title Examinations
- Requesting Documents
 - LLC
 - Trusts
 - Divorce Decree
- Continuing Our Education

TITLE INSURANCE POLICY

- Encourage your buyers to get the ALTA Home Owners Policy if they qualify (1-4 SFR in subdivision)
- 10% of Base Rate
- Example:
 - \$500,000 Sales Price
 - Seller Pays for Owners Policy - \$1,705
 - Buyer would pay for Home Owners Policy - \$170
 - Lifetime of ownership – one time fee

Combating Seller Impersonation Fraud & Benefits of ALTA's Homeowner's Policy of Title Insurance

FRAUDSTERS ARE INCREASINGLY IMPERSONATING PROPERTY OWNERS to illegally sell residential property they do not own. Because fraudsters are targeting properties that are not owned or years for the actual property owner to discover the fraud.

Red Flags for Real Estate Transactions

A fraudster might be impersonating a seller if:

- The property is a vacant lot or occupied by someone other than the actual owner, such as investment property, vacation property or rental property
- The property is for sale below market value
- The seller wants a quick sale, generally in less than three weeks, and may not negotiate fees
- The seller will only communicate by phone or email and won't meet in person



Consumer Tips

- If it is too good to be true, ask questions
- Where available, sign up for free property alert notifications from your county recorder's office
- When buying property, ask a title professional or real estate attorney about your title insurance coverage options
- Don't delay if you think you have been a victim! Contact local and state law enforcement immediately, including the state bureau of investigation and state attorney general. Additionally, contact your title professional, real estate attorney and/or title insurance policy underwriter.



Understanding Title

Both the ALTA Owner's Policy and the ALTA Homeowner's Policy provide coverage for pre-purchase coverage for purchased the property claiming to own the property. However, only the ALTA Homeowner's Policy of Title Insurance provides protection for forgery occurring after the property purchase and further provides additional protection for the owner against a third party fraudulently transferring their property.

With deed fraud on the rise, homebuyers may want to ensure their property is protected both as a purchaser and into the future. Importantly, the ALTA Homeowner's Policy of Title Insurance covers certain risks that occur after the date of policy, including claims due to forgery or impersonation. While many states provide access to this beneficial policy, homeowners in all states should have access to these added protections, including the peace of mind knowing there is post-policy forgery protection. Notably, so called alternatives to title insurance do not protect buyers or actual property owners from seller impersonation fraud.

Understanding Title Insurance Coverage Options

Both the ALTA Owner's Policy and the ALTA Homeowner's Policy of Title Insurance provide coverage for pre-purchase forgery. They would provide coverage for instances where the policy holder purchased the property from a person fraudulently claiming to own the property. However, only the ALTA Homeowner's Policy of Title Insurance provides protection for forgery occurring after the property purchase and further provides additional protection for the owner against a third party fraudulently transferring their property.

With deed fraud on the rise, homebuyers may want to ensure their property is protected both as a purchaser and into the future. Importantly, the ALTA Homeowner's Policy of Title Insurance covers certain risks that occur after the date of policy, including claims due to forgery or impersonation. While many states provide access to this beneficial policy, homeowners in all states should have access to these added protections, including the peace of mind knowing there is post-policy forgery protection. Notably, so called alternatives to title insurance do not protect buyers or actual property owners from seller impersonation fraud.



* The ALTA Homeowner's Policy of Title Insurance is not approved by regulators in all states. ALTA Homeowner's Policy of Title Insurance is only available for improved one to four family residential property. Ask your title company if your property qualifies for this coverage.

ALTA TITLE INSURANCE

OWNER'S POLICIES



COMPARISON CHART

Coverage	ALTA Standard Owners	ALTA Homeowner's
1. Someone else owns an interest in Your Title.	✓	✓
2. Someone else has rights affecting Your Title because of leases, contracts, or options.	*	✓
3. Someone claims to have rights affecting Your Title because of forgery or impersonation.	✓	✓
4. Someone else has an Easement on the Land.	*	✓
5. Someone else has a right to limit Your use of the Land.	*	✓
6. Your title is defective. Some of these defects are:	✓	✓
a. Someone else's failure to have authorized a transfer or conveyance of your Title.	✓	✓
b. Someone else's failure to create a valid document by electronic means.	✓	✓
c. A document upon which Your Title is based is invalid because it was not properly signed, sealed, acknowledged, delivered or recorded.	✓	✓
d. A document upon which Your Title is based was signed using a falsified, expired, or otherwise invalid power of attorney.	✓	✓
e. A document upon which Your Title is based was not properly filed, recorded, or indexed in the Public Records.	✓	✓
f. A defective judicial or administrative proceeding.	✓	✓
7. Any of Covered Risks 1 through 6 occurring after the Policy Date.		✓
8. Someone else has a lien on Your Title including a:	*	✓
a. Lien of real estate taxes or assessments imposed on Your Title by a governmental authority that are due or payable, but unpaid;	✓	✓
b. Mortgage;	*	✓
c. Judgments, state or federal tax lien;	*	✓
d. Charge by homeowner's or condominium association; or	*	✓
e. Lien, occurring before or after the Policy Date, for labor and material furnished before the Policy Date.	*	✓
9. Someone else has an encumbrance on Your Title.	*	✓
10. Someone else claims to have rights affecting Your Title because of fraud, duress, incompetency, or incapacity.	**	✓
11. You do not have actual vehicular and pedestrian access to and from the Land, based upon a legal right.	**	✓
12. You are forced to correct or remove an existing violation of any covenant, condition or restriction affecting the Land, even if it is excepted in Schedule B.		***



Coverage	ALTA Standard Owners	ALTA Homeowner's
13. Your Title is lost because of a violation of a covenant, condition or restriction, which occurred before You acquired Your Title, even if it is excepted in Schedule B.		✓
14. The violation or enforcement of those portions of any law or government regulation, if there is a notice recorded in the Public Records, claiming a violation exists or declaring the intention to enforce the law or regulation, concerning:		****
a. Building;	✓	✓
b. Zoning;	✓	✓
c. Land use;	✓	✓
d. Improvements on the Land;	✓	✓
e. Land division; or	✓	✓
f. Environmental protection.	✓	✓
15. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 14, if there is a notice recorded in the Public Records.	✓	****
16. Because of an existing violation of a subdivision law affecting the Land:		****
a. You are unable to obtain a building permit;		✓
b. You are required to correct or remove the violation; or		✓
c. Someone else has a legal right to, and does, refuse to perform a contract to purchase the Land, lease it or make a Mortgage loan on it.		✓



ALTA TITLE INSURANCE

OWNER'S POLICIES

✓
✓
✓
✓
✓
✓
✓
✓
✓
✓

COMPARISON CHART

Coverage	ALTA Standard Owners	ALTA Homeowner's
17. You lose Your Title because of the right to take the Land by condemning it, if:		
a. There is a notice of the exercise of the right recorded in the Public Records and the notice describes any part of the Land; or	✓	✓
b. The taking happened before the Policy Date and is binding on You if You bought the Land without knowing of the taking.	**	✓
18. You are forced to remove or remedy Your existing structures – other than boundary walls or fences – because any portion was built without obtaining a building permit from the proper government office.		✓ ****
19. You are forced to remove or remedy Your existing structures, because they violate an existing zoning law or zoning regulation.		✓ ****
20. You cannot use the Land because use as a single-family residence violates an existing zoning law or zoning regulation.		✓
21. You are forced to remove Your existing structures because they encroach onto Your neighbor's land.		✓ ****
22. Someone else has the legal right to, and does, refuse to perform a contract to purchase the Land, lease it or make a Mortgage loan on it, because Your neighbor's existing structures encroach onto the Land.		✓
23. You are forced to remove Your existing structures, which encroach onto an Easement or over a building set-back line, even if the Easement or building set-back line is excepted in Schedule B.		✓
24. Your existing structures are damaged because of the exercise of a right to maintain or use any Easement affecting the Land, even if the Easement is excepted in Schedule B.		✓
25. Your existing improvements, are damaged because of the future exercise of a right to use the surface of the Land for the extraction or development of minerals, water or any other substance, even if those rights are excepted or reserved from the description of the Land or excepted in Schedule B.		✓
26. Someone else tries to enforce a discriminatory covenant, condition or restriction that they claim affects Your Title which is based upon race, color, religion, sex, handicap, familial status, or national origin.	**	✓
27. A taxing authority assesses supplemental real estate taxes not previously assessed against the Land for any period before the Policy Date because of construction or a change of ownership or use that occurred before the Policy Date.	**	✓
28. Your neighbor builds any structures after the Policy Date – other than boundary walls or fences – which encroach onto the Land.		✓
29. Your Title is unmarketable, which allows someone else to refuse to perform a contract to purchase the Land, lease it or make a Mortgage loan on it.	✓	✓
30. Someone else owns an interest in Your Title because a court order invalidates a prior transfer of the title under federal bankruptcy, state insolvency, or similar creditors' rights laws.	**	✓
31. The residence with the address shown in Schedule A is not located on the Land at the Policy Date.		✓
32. The map, if any, attached to this Policy does not show the correct location of the Land according to the Public Records.		✓
33. Your coverage continues in full force and effect after You convey title to into Living Trust.	✓	✓
34. Your coverage continues in full force and effect after you convey title without payment to your wholly owned corporation, partnership, or LLC.	✓	



* The ALTA standard coverage Owner's Policy only provides coverage in these risk areas against recorded documents, and not for all risks.

** The Policy only provides coverage here in certain limited circumstances, and not as broadly covered as the Homeowner's Policy.

*** This coverage does not extend to any violation that relates to (a) any obligation to perform maintenance or repair on the Land; or (b) environmental protection of any kind, including hazardous or toxic conditions or substances, unless there is a notice recorded in the Public Records, describing any part of the Land, claiming a violation exists. Our liability for this coverage is limited to the extent of the violation stated in that notice.

**** Our liability for this coverage is limited as stated in the Policy, which may be less than Your actual loss or the Policy Amount.

Because of the nature of and location of certain properties, an inspection of the property may be necessary to determine if additional exceptions from coverage need to be shown in Schedule B of the ALTA Residential Policy or ALTA Homeowner's Policy, which will be noted in the preliminary report. The foregoing chart is intended to highlight only some important aspects of coverage and is not to be construed as expanding or limiting the coverage as set forth in the before mentioned policies. Copies of these policies are available upon request. Decisions on coverage should be made only after a complete review of all of the language of the policies themselves.





WHY CARE?

- We want to have a career
- Name & Reputation
- Here for the Long Term
- Liability
- What is the best thing for your buyer, seller, investor, and you

FRAUD RESOURCES

- FBI Internet Crime Report – ic3.gov
- www.fbi.gov/lasvegas/
- www.fightfraud.nv.gov/ForeclosureScamsNew.htm
- www.consumerfinance.gov
- <http://www.business.ftc.gov>
- www.alta.org
- <http://realtormag.realtor.org>
- <https://www.alta.org/business-tools/cybersecurity.cfm>



That's all Folks!

APPRAISER CERTIFICATION BOARD

August 13, 2024

Agenda Item 4

(e) Math 95



Nevada Department of Taxation
Property Tax Appraiser Continuing Education
New Course Application

Return this form to:
Division of Local Government Services
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706

Please Print or Type:

COURSE INFORMATION (A person who wishes to receive contact hours for a course of continuing education that has not been previously approved, must apply for such approval.)

<small>NAME OF REQUESTER</small> [REDACTED]	<small>TITLE</small> [REDACTED]
<small>TITLE OF COURSE</small> Math 95 - Elementary Algebra	
<small>VENDOR/PROVIDER</small> College of Southern Nevada (CSN)	

1. Course Summary:

A course in the fundamental operations of real numbers, solving linear equations in one variable, graphing linear equations in two variables, solving linear systems in two variables, and performing basic operations on polynomials.
See Student Learning Outcomes on the Course Description attached.

2. What are the hours of instruction? 36 Hours

3. What is the completion date? Spring 2009

SUBJECT CLASSIFICATION - CHECK ALL THAT APPLY

- | | |
|--|--|
| <input type="checkbox"/> Mass Appraisal Concepts and Applications
<input type="checkbox"/> IAAO Standards
<input type="checkbox"/> Residential, Commercial/Industrial Appraisal
<input type="checkbox"/> Unitary/Centrally Assessed Property Appraisal
<input type="checkbox"/> Legal Documents (Deeds, Titles, Leases, etc.)
<input type="checkbox"/> Nevada Statutes or Regulation, Appraisal or Assessment Standards | <input checked="" type="checkbox"/> College or Professional Level Accounting, Finance, Statistics or Other Appraisal Subjects
<input type="checkbox"/> GIS, Mapping, CAMA
<input type="checkbox"/> Laws Relating to Real Estate, Water or Mining
<input type="checkbox"/> Professional Ethics
<input type="checkbox"/> Other |
|--|--|

If other, please describe why the course is applicable to appraisal and/or property tax.

REQUIRED MATERIALS TO BE SUBMITTED WITH APPLICATION INCLUDE:

- ☒ Detailed Course Outline
☐ Syllabus or Course Material

SIGNATURE

Requestor Signature

[REDACTED SIGNATURE]

For Department Use Only

<small>NUMBER OF CREDIT HOURS GRANTED</small>	<small>NUMBER OF CREDIT HOURS APPEARING ON TRANSCRIPT</small>	<small>MILESTONE APPLIED TO</small>	<small>TOTAL HOURS FOR THIS MILESTONE</small>

Verified by:

<p>Division of Local Government Services</p>	<p>Title</p>	<p>Date</p>
--	--------------	-------------

Elementary Algebra

2024-2025 Catalog and Student Handbook

MATH 95 - Elementary Algebra

Credits: 3

Description

A course in the fundamental operations of real numbers, solving linear equations in one variable, graphing linear equations in two variables, solving linear systems in two variables, and performing basic operations on polynomials. Intended to provide a basic foundation for future mathematics needed in fields of business, economics, engineering and related fields. Strong background in fractions and positive and negative numbers is highly recommended. A comprehensive, proctored, departmental final exam will be given.

Student Learning Outcomes

1. Solve linear inequalities.
 2. Solve applications involving linear equations.
 3. Graph linear equations in two variables.
 4. Manipulate exponential expressions using rules of exponents.
 5. Perform operations on polynomials.
 6. Solve systems of linear equations.
-

Prerequisite: Satisfactory ACT/SAT/Placement Test score

Corequisite: None

Graded: Letter Grade

APPRAISER CERTIFICATION BOARD

August 13, 2024

Agenda Item 4

(f) Math 96



Nevada Department of Taxation
Property Tax Appraiser Continuing Education
New Course Application

Return this form to:
Division of Local Government Services
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706

Please Print or Type:

COURSE INFORMATION (A person who wishes to receive contact hours for a course of continuing education that has not been previously approved, must apply for such approval.)

<small>NAME OF REQUESTER</small> [Redacted]	<small>TITLE</small> [Redacted]
<small>TITLE OF COURSE</small> Math 96 - Intermediate Algebra	
<small>VENDOR/PROVIDER</small> College of Southern Nevada (CSN)	

1. Course Summary:

Topics include factoring polynomials, rational expressions and equations, radical expressions and equations, quadratic equations, graphs and applications.
See Student Learning Outcomes on the Course Description attached.

2. What are the hours of instruction? 36 Hours

3. What is the completion date? Summer 2009

SUBJECT CLASSIFICATION - CHECK ALL THAT APPLY

- | | |
|--|--|
| <input type="checkbox"/> Mass Appraisal Concepts and Applications
<input type="checkbox"/> IAAO Standards
<input type="checkbox"/> Residential, Commercial/Industrial Appraisal
<input type="checkbox"/> Unitary/Centrally Assessed Property Appraisal
<input type="checkbox"/> Legal Documents (Deeds, Titles, Leases, etc.)
<input type="checkbox"/> Nevada Statutes or Regulation, Appraisal or Assessment Standards | <input checked="" type="checkbox"/> College or Professional Level Accounting, Finance, Statistics or Other Appraisal Subjects
<input type="checkbox"/> GIS, Mapping, CAMA
<input type="checkbox"/> Laws Relating to Real Estate, Water or Mining
<input type="checkbox"/> Professional Ethics
<input type="checkbox"/> Other |
|--|--|

If other, please describe why the course is applicable to appraisal and/or property tax.

REQUIRED MATERIALS TO BE SUBMITTED WITH APPLICATION INCLUDE:

- ☒ Detailed Course Outline
☐ Syllabus or Course Material

SIGNATURE

Requestor Signature

[Redacted Signature]

For Department Use Only

NUMBER OF CREDIT HOURS GRANTED	NUMBER OF CREDIT HOURS APPEARING ON TRANSCRIPT	MILESTONE APPLIED TO	TOTAL HOURS FOR THIS MILESTONE

Verified by:

Division of Local Government Services _____ Title _____ Date _____

Intermediate Algebra

2024-2025 Catalog and Student Handbook

MATH 96 - Intermediate Algebra

Credits: 3

Description

Topics include factoring polynomials, rational expressions and equations, radical expressions and equations, quadratic equations, graphs and applications. A comprehensive, proctored, departmental final exam will be given.

Student Learning Outcomes

1. Work with functions and function notation.
 2. Graph functions.
 3. Factor polynomials.
 4. Work with rational expressions and solve rational expression equations.
 5. Perform arithmetic on irrational numbers and solve radical equations.
 6. Solve quadratic equations.
 7. Apply and extend all concepts.
-

Prerequisite: A grade of C or better in either MATH 95 or MATH 95E; or a satisfactory ACT/SAT/Placement Test score

Corequisite: None

Graded: Letter Grade

APPRAISER CERTIFICATION BOARD

August 13, 2024

Agenda Item 4

(g) Math 124



Nevada Department of Taxation
Property Tax Appraiser Continuing Education
New Course Application

Return this form to:
Division of Local Government Services
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706

Please Print or Type:

COURSE INFORMATION (A person who wishes to receive contact hours for a course of continuing education that has not been previously approved, must apply for such approval.)

	TITLE
Math 124 - College Algebra	
VENDOR/PROVIDER	
College of Southern Nevada (CSN)	

1. Course Summary:

Practical applications are the focal point of this course. Topics include equations and inequalities; linear, quadratic, polynomial, exponential and logarithmic functions and their graphs; solutions of systems of linear equations; matrices; and sequences and series. Use of technology is integrated and required. See Student Learning Outcomes on the Course Description attached.

2. What are the hours of instruction? 36 Hours

3. What is the completion date? Fall 2009

SUBJECT CLASSIFICATION - CHECK ALL THAT APPLY

- | | |
|--|--|
| <input type="checkbox"/> Mass Appraisal Concepts and Applications
<input type="checkbox"/> IAAO Standards
<input type="checkbox"/> Residential, Commercial/Industrial Appraisal
<input type="checkbox"/> Unitary/Centrally Assessed Property Appraisal
<input type="checkbox"/> Legal Documents (Deeds, Titles, Leases, etc.)
<input type="checkbox"/> Nevada Statutes or Regulation, Appraisal or Assessment Standards | <input checked="" type="checkbox"/> College or Professional Level Accounting, Finance, Statistics or Other Appraisal Subjects
<input type="checkbox"/> GIS, Mapping, CAMA
<input type="checkbox"/> Laws Relating to Real Estate, Water or Mining
<input type="checkbox"/> Professional Ethics
<input type="checkbox"/> Other |
|--|--|

If other, please describe why the course is applicable to appraisal and/or property tax.

REQUIRED MATERIALS TO BE SUBMITTED WITH APPLICATION INCLUDE:

- ☒ Detailed Course Outline
☐ Syllabus or Course Material

SIGNATURE

Requestor Signature

For Department Use Only

NUMBER OF CREDIT HOURS GRANTED	NUMBER OF CREDIT HOURS APPEARING ON TRANSCRIPT	MILESTONE APPLIED TO	TOTAL HOURS FOR THIS MILESTONE

Verified by:

Division of Local Government Services

Title

Date

College Algebra

2024-2025 Catalog and Student Handbook

MATH 124 - College Algebra

Credits: 3

Description

Practical applications are the focal point of this course. Topics include equations and inequalities; linear, quadratic, polynomial, exponential and logarithmic functions and their graphs; solutions of systems of linear equations; matrices; and sequences and series. Use of technology is integrated and required.

Student Learning Outcomes

1. Solve various types of equations such as algebraic, exponential, or logarithmic.
 2. Graph various types of equations such as algebraic, exponential, or logarithmic.
 3. Analyze properties of functions.
 4. Solve systems of equations.
 5. Solve problems involving matrices.
-

Prerequisite: A grade of C or better in Intermediate Algebra - MATH 96 (for CSN High School and Jumpstart students) or a grade of D or better in MATH 124E; or a satisfactory ACT/SAT/Placement Test score

Corequisite: None

Graded: Letter Grade

APPRAISER CERTIFICATION BOARD

August 13, 2024

Agenda Item 4

(h) Math 120R



Nevada Department of Taxation
Property Tax Appraiser Continuing Education
New Course Application

Return this form to:
Division of Local Government Services
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706

Please Print or Type:

COURSE INFORMATION (A person who wishes to receive contact hours for a course of continuing education that has not been previously approved, must apply for such approval.)

[Redacted]	[Redacted]
TITLE OF COURSE	
Math 120R - Fundamental of College of Math	
VENDOR/PROVIDER	
College of Southern Nevada (CSN)	

1. Course Summary:

Covers mathematical concepts particularly relevant to informed and aware citizenship in modern society. Topics include consumer mathematics, geometry, measurement, dimensional analysis, linear and exponential modeling, probability, and statistical analysis. Course is broad in scope, emphasizing problem solving and applications. See Student Learning Outcomes on the Course Description attached.

2. What are the hours of instruction? 36 Hours

3. What is the completion date? Spring 2010

SUBJECT CLASSIFICATION - CHECK ALL THAT APPLY

- | | |
|--|--|
| <input type="checkbox"/> Mass Appraisal Concepts and Applications
<input type="checkbox"/> IAAO Standards
<input type="checkbox"/> Residential, Commercial/Industrial Appraisal
<input type="checkbox"/> Unitary/Centrally Assessed Property Appraisal
<input type="checkbox"/> Legal Documents (Deeds, Titles, Leases, etc.)
<input type="checkbox"/> Nevada Statutes or Regulation, Appraisal or Assessment Standards | <input checked="" type="checkbox"/> College or Professional Level Accounting, Finance, Statistics or Other Appraisal Subjects
<input type="checkbox"/> GIS, Mapping, CAMA
<input type="checkbox"/> Laws Relating to Real Estate, Water or Mining
<input type="checkbox"/> Professional Ethics
<input type="checkbox"/> Other |
|--|--|

If other, please describe why the course is applicable to appraisal and/or property tax.

REQUIRED MATERIALS TO BE SUBMITTED WITH APPLICATION INCLUDE:

- ☒ Detailed Course Outline
☐ Syllabus or Course Material

SIGNATURE

Requestor Signature

For Department Use Only

NUMBER OF CREDIT HOURS GRANTED	NUMBER OF CREDIT HOURS APPEARING ON TRANSCRIPT	MILESTONE APPLIED TO	TOTAL HOURS FOR THIS MILESTONE

Verified by:

Division of Local Government Services Title Date

Fundamentals of College Mathematics

2024-2025 Catalog and Student Handbook

MATH 120 - Fundamentals of College Mathematics

Credits: 3

Textbook Information: Some sections are offered with low-cost (<\$40) or no-cost textbooks. Check course notes in MyCSN for textbook and fee details. When registering for classes in MyCSN, you can also click the "Buy Books" button to review a course's textbook requirements.

Description

MATH 120 covers mathematical concepts particularly relevant to informed and aware citizenship in modern society. Topics include consumer mathematics, geometry, measurement, dimensional analysis, linear and exponential modeling, probability, and statistical analysis. Course is broad in scope, emphasizing problem solving and applications. *Please note: Students not meeting the prerequisite of this course can take MATH 120E, which is equivalent to MATH 120.*

Student Learning Outcomes

1. Apply geometric concepts to solve real world problems.
 2. Solve problems involving personal finance.
 3. Solve problems involving basic probability.
 4. Analyze data using statistical methods.
 5. Use dimensional analysis to solve real world problems.
-

Prerequisite: A grade of C or better in either MATH 95 (for CSN High School and Jumpstart students) or a grade of C or better in an Elementary Algebra course; or a D or better in MATH 120E, or a satisfactory ACT/SAT/Placement Test score.

Corequisite: None

Graded: Letter Grade

APPRAISER CERTIFICATION BOARD

August 13, 2024

Agenda Item 4

(i) ECON 102



Nevada Department of Taxation
Property Tax Appraiser Continuing Education
New Course Application

Return this form to:
Division of Local Government Services
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706

Please Print or Type:

COURSE INFORMATION (A person who wishes to receive contact hours for a course of continuing education that has not been previously approved, must apply for such approval.)

<small>NAME OF REQUESTER</small> [REDACTED]	<small>TITLE</small> [REDACTED]
<small>TITLE OF COURSE</small> ECON 102 - Principles of Microeconomics	
<small>VENDOR/PROVIDER</small> College of Southern Nevada (CSN)	

1. Course Summary:

An examination of the price theory for product market models and consumer demand models with attention focused on the application of price theory in current economic issues.

See Student Learning Outcomes on the Course Description attached.

2. What are the hours of instruction? 36 Hours

3. What is the completion date? Summer 2009

SUBJECT CLASSIFICATION - CHECK ALL THAT APPLY

- | | |
|--|--|
| <input type="checkbox"/> Mass Appraisal Concepts and Applications
<input type="checkbox"/> IAAO Standards
<input type="checkbox"/> Residential, Commercial/Industrial Appraisal
<input type="checkbox"/> Unitary/Centrally Assessed Property Appraisal
<input type="checkbox"/> Legal Documents (Deeds, Titles, Leases, etc.)
<input type="checkbox"/> Nevada Statutes or Regulation, Appraisal or Assessment Standards | <input checked="" type="checkbox"/> College or Professional Level Accounting, Finance, Statistics or Other Appraisal Subjects
<input type="checkbox"/> GIS, Mapping, CAMA
<input type="checkbox"/> Laws Relating to Real Estate, Water or Mining
<input type="checkbox"/> Professional Ethics
<input type="checkbox"/> Other |
|--|--|

If other, please describe why the course is applicable to appraisal and/or property tax.

REQUIRED MATERIALS TO BE SUBMITTED WITH APPLICATION INCLUDE:

- ☒ Detailed Course Outline
☐ Syllabus or Course Material

SIGNATURE

Requestor Signature

For Department Use Only

<small>NUMBER OF CREDIT HOURS GRANTED</small>	<small>NUMBER OF CREDIT HOURS APPEARING ON TRANSCRIPT</small>	<small>MILESTONE APPLIED TO</small>	<small>TOTAL HOURS FOR THIS MILESTONE</small>

Verified by:

<small>Division of Local Government Services</small>	<small>Title</small>	<small>Date</small>
--	----------------------	---------------------

Principles of Microeconomics

2024-2025 Catalog and Student Handbook

ECON 102 - Principles of Microeconomics

Credits: 3

Description

An examination of the price theory for product market models and consumer demand models with attention focused on the application of price theory in current economic issues.

Student Learning Outcomes

1. Analyze scarcity and opportunity cost.
 2. Manipulate graphical representations to illustrate the determinants of supply and demand.
 3. Predict and demonstrate the consequences of price controls.
 4. Apply the concept of elasticity.
 5. Recognize and apply marginal analysis in its role in decision making.
 6. Employ graphical representations of cost and revenue structures to address inferences formed within a model of profit maximization.
-

Prerequisite: MATH 124 or MATH 124E or higher with a grade of C or higher

Corequisite: None

Graded: Letter Grade

APPRAISER CERTIFICATION BOARD

August 13, 2024

Agenda Item 4

(j) ECON 103



Nevada Department of Taxation
Property Tax Appraiser Continuing Education
New Course Application

Return this form to:
Division of Local Government Services
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706

Please Print or Type:

COURSE INFORMATION (A person who wishes to receive contact hours for a course of continuing education that has not been previously approved, must apply for such approval.)

TITLE OF COURSE

ECON 103 - Principles of Macroeconomics

VENDOR/PROVIDER

College of Southern Nevada (CSN)

1. Course Summary:

A study of the determination of levels of national income, employment, prices and basic causes of fluctuation of these levels.
See Student Learning Outcomes on the Course Description attached.

2. What are the hours of instruction? 36 Hours

3. What is the completion date? Fall 2009

SUBJECT CLASSIFICATION - CHECK ALL THAT APPLY

- | | |
|---|---|
| <input type="checkbox"/> Mass Appraisal Concepts and Applications | <input checked="" type="checkbox"/> College or Professional Level Accounting, Finance, Statistics or Other Appraisal Subjects |
| <input type="checkbox"/> IAAO Standards | <input type="checkbox"/> GIS, Mapping, CAMA |
| <input type="checkbox"/> Residential, Commercial/Industrial Appraisal | <input type="checkbox"/> Laws Relating to Real Estate, Water or Mining |
| <input type="checkbox"/> Unitary/Centrally Assessed Property Appraisal | <input type="checkbox"/> Professional Ethics |
| <input type="checkbox"/> Legal Documents (Deeds, Titles, Leases, etc.) | <input type="checkbox"/> Other |
| <input type="checkbox"/> Nevada Statutes or Regulation, Appraisal or Assessment Standards | |

If other, please describe why the course is applicable to appraisal and/or property tax.

REQUIRED MATERIALS TO BE SUBMITTED WITH APPLICATION INCLUDE:

- ☐ Detailed Course Outline
☒ Syllabus or Course Material

SIGNATURE

Requestor Signature

Date

For Department Use Only

NUMBER OF CREDIT HOURS GRANTED	NUMBER OF CREDIT HOURS APPEARING ON TRANSCRIPT	MILESTONE APPLIED TO	TOTAL HOURS FOR THIS MILESTONE

Verified by:

Division of Local Government Services

Title

Date

Principles of Macroeconomics

2024-2025 Catalog and Student Handbook

ECON 103 - Principles of Macroeconomics

Credits: 3

Description

A study of the determination of levels of national income, employment, prices and basic causes of fluctuation of these levels.

Student Learning Outcomes

1. Explain the notions of scarcity, opportunity cost, and resource allocation.
 2. Explain how supply and demand operate in a market economy to address issues of resource allocation.
 3. Understand why economic growth, high employment, and price stability are major macroeconomics concerns.
 4. Demonstrate an understanding of the relationship between income, GDP, and employment.
 5. Understand the various forms of unemployment and the resulting economic consequences.
 6. Understand inflation and its various forms and the affect upon the consumer.
 7. Understand and demonstrate knowledge of the macroeconomic equilibrium of aggregate supply and demand and differentiate between long and short run AS and AD curves.
 8. Understand and demonstrate knowledge of the nature of the U.S. banking system and its relation to the conduct of monetary policy.
 9. Demonstrate and understand fiscal policy and its relationship to monetary policy.
-

Prerequisite: MATH 124 or MATH 124E

Corequisite: None

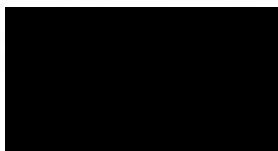
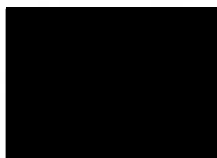
Graded: Letter Grade

College of Southern Nevada

Page 1 of 2

Official - Undergraduate Career

Name:
Former Name:
Student ID:



Academic Program History

Program: Degree/Certificate Seeking
2008-08-25: Active in Program
Associate Of Business

Degrees Awarded

Degree: Associate of General Studies
Confer Date: 05/15/2010
Degree GPA: 3.894
Degree Honors: High Honors
Plan: Associate Of General Studies

Sum 2009

Course	Description	Att.	Earned	Grade	Points
COM 101	Oral Communication	3.00	3.00	A	12.000
Grading Basis:	Letter Grades				
ECON 102	Princ-Microeconomics	3.00	3.00	B-	8.100
Grading Basis:	Letter Grades				
MATH 96	Intermediate Algebra	3.00	3.00	A	12.000
Grading Basis:	Letter Grades				

Term GPA	3.57	Term Tot	9.00	Earned	9.00	GPA Unit	9.000	Points	32.100
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Cum GPA	3.87	Cum Tot	40.00	Earned	40.00	GPA Unit	40.000	Points	154.900
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Academic Standing Effective 06/08/2009: Good Standing

Beginning of Undergraduate Record

2008 Fall

Course	Description	Att.	Earned	Grade	Points
ALS 101	College Success	3.00	3.00	A	12.000
Grading Basis:	Letter Grades				
ART 211	Ceramics I	3.00	3.00	A	12.000
Grading Basis:	Letter Grades				
ENG 100R	Composition Enhanced	5.00	5.00	A	20.000
Course Topic:	Composition Enhanced				
Grading Basis:	Letter Grades				
PHYS 110	Conceptual Physics	4.00	4.00	A	16.000
Grading Basis:	Letter Grades				

Term GPA	4.00	Term Tot	15.00	Earned	15.00	GPA Unit	15.000	Points	60.000
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Cum GPA	4.00	Cum Tot	15.00	Earned	15.00	GPA Unit	15.000	Points	60.000
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Academic Standing Effective 08/25/2008: Good Standing

2009 Spr

Course	Description	Att.	Earned	Grade	Points
BUS 101	Intro to Business	3.00	3.00	A	12.000
Grading Basis:	Letter Grades				
ENG 102	Composition II	3.00	3.00	A	12.000
Course Topic:	Composition II				
Grading Basis:	Letter Grades				
IS 101	Intro Info System	3.00	3.00	A	12.000
Course Topic:	Intro Info System				
Grading Basis:	Letter Grades				
MATH 95	Elementary Algebra	3.00	3.00	A	12.000
Grading Basis:	Letter Grades				
PSC 101	Intro American Politics	4.00	4.00	A-	14.800
Grading Basis:	Letter Grades				

Term GPA	3.92	Term Tot	16.00	Earned	16.00	GPA Unit	16.000	Points	62.800
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Cum GPA	3.96	Cum Tot	31.00	Earned	31.00	GPA Unit	31.000	Points	122.800
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Academic Standing Effective 01/20/2009: Good Standing

2009 Fall

Course	Description	Att.	Earned	Grade	Points
ACC 201	Financial Accounting	0.00	0.00	W	0.000
Grading Basis:	Letter Grades				
COM 102	Intro Interpersonal Comm	3.00	3.00	A	12.000
Grading Basis:	Letter Grades				
ECON 103	Princ-Macroeconomics	3.00	3.00	A-	11.100
Grading Basis:	Letter Grades				
ENV 101	Intro to Environmental	3.00	3.00	A	12.000
Grading Basis:	Letter Grades				
MATH 124	College Algebra	3.00	3.00	A	12.000
Grading Basis:	Letter Grades				
MGT 201	Principles of Mgmt	3.00	3.00	A	12.000
Grading Basis:	Letter Grades				

Term GPA	3.94	Term Tot	15.00	Earned	15.00	GPA Unit	15.000	Points	59.100
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Cum GPA	3.89	Cum Tot	55.00	Earned	55.00	GPA Unit	55.000	Points	214.000
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Term Honor:

Dean's List

Academic Standing Effective 08/31/2009: Good Standing

2010 Sprg

Course	Description	Att.	Earned	Grade	Points
CIT 151	Beginning Web Development	3.00	3.00	A	12.000
Grading Basis:	Letter Grades				
ENG 223	Themes of Literature	3.00	3.00	A	12.000
Course Topic:	Themes of Literature				
Grading Basis:	Letter Grades				
MATH 120R	Fund of College Math	3.00	3.00	A	12.000
Grading Basis:	Letter Grades				
PORT 111	First Year Portuguese I	4.00	4.00	A-	14.800
Grading Basis:	Letter Grades				

Term GPA	3.91	Term Tot	13.00	Earned	13.00	GPA Unit	13.000	Points	50.800
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Cum GPA	3.89	Cum Tot	68.00	Earned	68.00	GPA Unit	68.000	Points	264.800
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Academic Standing Effective 01/19/2010: Good Standing

In accordance with USC 438 (6) (4) (8) (The Family Educational Rights and Privacy Act of 1974) you are hereby notified that this information is provided upon the condition that you, your agent or employees, will not permit any other party access to this record without consent of the student. Alteration of this transcript may be a criminal offense.

Pat Zozaya
College Registrar

This officially sealed and signed transcript is printed on blue SCRIP-SAFE security paper and does not require a raised seal. Translucent globes must be visible from both sides of transcript when held toward light source. A hidden security warning appears only when photocopied. When photocopied, a security statement containing the name of the institution appears and the word "COPY" appears on the next. An official signature is white with a light blue background. Reject document as official if the signature is distorted or has been photocopied.

TO VERIFY: TRANSLUCENT GLOBES MUST BE VISIBLE FROM BOTH SIDES OF TRANSCRIPT WHEN HELD TOWARD LIGHT SOURCE

ACB 195

THE COLLEGE NAME APPEARS IN WHITE PRINT ACROSS THE FACE OF THIS RECORD

A PHOTOCOPY OF THIS TRANSCRIPT IS NOT OFFICIAL

APPRAISER CERTIFICATION BOARD

August 13, 2024

Agenda Item 4

(k) Ethics Fair Housing in Nevada Real Estate



Nevada Department of Taxation
Property Tax Appraiser Continuing Education
New Course Application

Return this form to:
Division of Local Government Services
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706

Please Print or Type:

COURSE INFORMATION (A person who wishes to receive contact hours for a course of continuing education that has not been previously approved, must apply for such approval.)

<small>NAME OF REQUESTER</small> [Redacted]	<small>ADDRESS</small> [Redacted]
<small>TITLE OF COURSE</small> Ethics: Fair Housing in Nevada Real Estate	
<small>VENDOR/PROVIDER</small> Key Realty School	

1. Course Summary:

CE Ethics: Fair Housing in Nevada Real Estate

2. What are the hours of instruction? 3 Hours

3. What is the completion date? 01-16-2020

SUBJECT CLASSIFICATION - CHECK ALL THAT APPLY

- | | |
|--|--|
| <input type="checkbox"/> Mass Appraisal Concepts and Applications
<input type="checkbox"/> IAAO Standards
<input type="checkbox"/> Residential, Commercial/Industrial Appraisal
<input type="checkbox"/> Unitary/Centrally Assessed Property Appraisal
<input type="checkbox"/> Legal Documents (Deeds, Titles, Leases, etc.)
<input type="checkbox"/> Nevada Statutes or Regulation, Appraisal or Assessment Standards | <input type="checkbox"/> College or Professional Level Accounting, Finance, Statistics or Other Appraisal Subjects
<input type="checkbox"/> GIS, Mapping, CAMA
<input type="checkbox"/> Laws Relating to Real Estate, Water or Mining
<input checked="" type="checkbox"/> Professional Ethics
<input type="checkbox"/> Other |
|--|--|

If other, please describe why the course is applicable to appraisal and/or property tax.

REQUIRED MATERIALS TO BE SUBMITTED WITH APPLICATION INCLUDE:

- ☒ Detailed Course Outline
☐ Syllabus or Course Material

SIGNATURE

Requestor Signature

Date

For Department Use Only

<small>NUMBER OF CREDIT HOURS GRANTED</small>	<small>NUMBER OF CREDIT HOURS APPEARING ON TRANSCRIPT</small>	<small>MILESTONE APPLIED TO</small>	<small>TOTAL HOURS FOR THIS MILESTONE</small>

Verified by:

Division of Local Government Services

Title

Date

Certificate of Education


Fair Housing in Nevada Real Estate

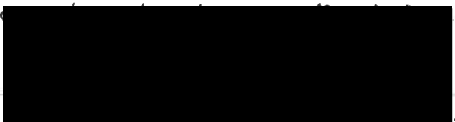
FAIR HOUSING IN NEVADA REAL ESTATE

Course Hours: 3

Course Designation: Ethics

Course Number: CE.6185000-RE

I certify that I have completed this course and understand the matter outlined in the Key Realty School mission statement.

Student Signature: 

Approved by the Nevada Real Estate Division, on behalf of the Nevada Real Estate Commission
This course has been completed by Correspondence
Enrollment Completed by: Mike Federwitz

Key Realty School


Mike Federwitz, School Registrar

01/16/2020
Completion Date

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE DIVISION

SUBJECT/TOPICS	Fair Housing in NV Real Estate	COURSE TIMED INCREMENTS
Fair Housing and Definitions		20mins
<ul style="list-style-type: none"> a. Review history of the phrase Fair Housing and understand significance b. Understand steps to take when filing complaint c. Review definitions d. Understand terms and their applicability to Fair Housing 		5 minutes 5 minutes 5 minutes 5 minutes
Review of Sub Topic 1		10 mins
Discrimination		20 mins
<ul style="list-style-type: none"> a. Provision of Brokerage services b. Review subchapter on Religious or Private Club exemption c. Understand application of Administrative Enforcement 		10 minutes 5 minutes 5 minutes
Review of Sub Topic 2		5 mins
Education and Prohibitions		20 mins
<ul style="list-style-type: none"> a. Review and understand subchapter on education and conciliation activities. b. Review effective dates of certain prohibitions and understand application 		10 minutes 10 minutes
Review of Sub Topic 3		10 mins
Enforcement by Secretary		20 mins
<ul style="list-style-type: none"> a. Review topic on Preliminary Matters b. Review definition of Subpoenas c. Understand Giving of Evidence and Findings and Conclusions 		5 minutes 10 minutes 5 minutes
Review of Sub Topic 4		5 mins
Enforcement by Private Persons		20 mins
<ul style="list-style-type: none"> a. Definition of Pattern and Practice Cases and significance b. Review terms of relief which may be granted 		10 minutes 10 minutes
Review of Sub Topic 5		10 mins
Interpretations		20 mins
<ul style="list-style-type: none"> a. Read and understand interpretations of segments of Fair Housing Act to include Race, Color, Sex, Religion, Origin, Disability, etc b. Understand utilization of services and personnel, coercion, intimidation 		10 minutes 10 minutes
Course Completion Exam and Instructor Evaluation		20 mins
TOTAL: 180 Mins ÷ 60 class hr = 3 Hours		

APPRAISER CERTIFICATION BOARD

August 13, 2024

Agenda Item 4

(I) Ethics in Business



Nevada Department of Taxation
Property Tax Appraiser Continuing Education
New Course Application

Return this form to:
Division of Local Government Services
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706

Please Print or Type:

COURSE INFORMATION (A person who wishes to receive contact hours for a course of continuing education that has not been previously approved, must apply for such approval.)

<div style="background-color: black; width: 100%; height: 100%;"></div>	<div style="background-color: black; width: 100%; height: 100%;"></div>
Ethics: Ethics in Business	
Key Realty School	

1. Course Summary:

CE Ethics: Ethics in Business

2. What are the hours of instruction? 3 Hours

3. What is the completion date? 11/29/2016

SUBJECT CLASSIFICATION - CHECK ALL THAT APPLY

- | | |
|---|---|
| <p><input type="checkbox"/> Mass Appraisal Concepts and Applications</p> <p><input type="checkbox"/> IAAO Standards</p> <p><input type="checkbox"/> Residential, Commercial/Industrial Appraisal</p> <p><input type="checkbox"/> Unitary/Centrally Assessed Property Appraisal</p> <p><input type="checkbox"/> Legal Documents (Deeds, Titles, Leases, etc.)</p> <p><input type="checkbox"/> Nevada Statutes or Regulation, Appraisal or Assessment Standards</p> | <p><input type="checkbox"/> College or Professional Level Accounting, Finance, Statistics or Other Appraisal Subjects</p> <p><input type="checkbox"/> GIS, Mapping, CAMA</p> <p><input type="checkbox"/> Laws Relating to Real Estate, Water or Mining</p> <p><input checked="" type="checkbox"/> Professional Ethics</p> <p><input type="checkbox"/> Other</p> |
|---|---|

If other, please describe why the course is applicable to appraisal and/or property tax.

REQUIRED MATERIALS TO BE SUBMITTED WITH APPLICATION INCLUDE:

- ☒ Detailed Course Outline
- ☐ Syllabus or Course Material

SIGNATURE

Requestor Signature

Date

For Department Use Only

NUMBER OF CREDIT HOURS GRANTED	NUMBER OF CREDIT HOURS APPEARING ON TRANSCRIPT	MILESTONE APPLIED TO	TOTAL HOURS FOR THIS MILESTONE

Verified by:

Division of Local Government Services

Title

Date

Certificate of Education


Ethics in Business

Ethics in Business


Course Hours: 3

Course Designation: Ethics


Course Number: CE.4011000-RE

I certify that I have completed this course/event through my own efforts in the manner outlined in the Key Realty School mission statement.

Student Signature: _____


Approved by the Nevada Real Estate Division, on behalf of the Nevada Real Estate Commission
This course has been completed by Correspondence
Enrollment Completed by: Mike Federwitz

Key Realty School
3650 East Flamingo Road, Las Vegas NV 89121



Mike Federwitz, School Registrar

11/29/2016

Date



Ted Federwitz

Title	Ethics in Business
--------------	---------------------------

Time	Unit Title	Section	Learning Objectives
10	Preamble	Reading Assignment	<ul style="list-style-type: none"> The licensee will learn the golden rule, as well as be able to maintain & improve the standards of the profession.
30	Respect, Responsibility, Results	Reading Assignment	<ul style="list-style-type: none"> Understand the definitions and applicability of each Realize importance of your actions and how they relate to your daily activities Learn what aspects of business cannot be compromised Understand what are the universal norms The licensee will learn the standards of practice and be able to explain the duties, conduct, and fiduciary conduct that relate to all portions in a real estate transaction.
20	Stating your Objection and Concern	Reading Assignment	<ul style="list-style-type: none"> Understand how to say "No" with tact. Understand how to propose alternative actions that are ethical Learn Importance of seeking assistance from higher authority
20	Ethical Action Test	Reading Assignment	<ul style="list-style-type: none"> Learn self-evaluation tests to take when determining ethical action Review self assessment for ethics and implications of results
30	Respect Organizational Resources	Reading Assignment	<ul style="list-style-type: none"> Learn and understand how to approach situations Understand importance of company's mission Understand how to take the initiative to learn laws and regulations and your role in doing the right thing Realize importance of keeping ethics a part of daily discussions in the workplace Learn how to disseminate information to employees telling them resources to use
20	Leaders Modeling Ethical Behavior	Reading Assignment	<ul style="list-style-type: none"> Understand relevance of effective codes and standards for raising concerns and retaliation Understand how to report unethical behaviors of co-workers and importance of encouraging employees to report misconduct in good faith
10	Ethics Enforcement Process	Reading Assignment	<ul style="list-style-type: none"> The licensee will learn who can file a complaint and what is the process and parties of rights rights.
20	Code Standards on Retaliation	Reading Assignment	<ul style="list-style-type: none"> Understand detrimental effect that fear of retaliation has on open communications in the workplace Learn how to provide examples of formal and informal retaliation and correct communication of consequences to employees Understand importance of creating an Open and Non-Retaliatory workplace
180	Total Minutes		
3 Hours	Total Time		

APPRAISER CERTIFICATION BOARD

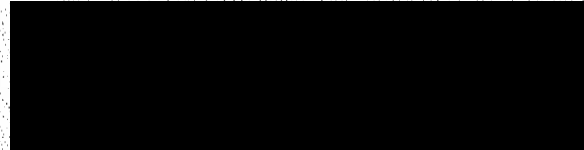
August 13, 2024

Agenda Item 4

(m) Ethical Standards in Real Estate

Certificate of Education

THIS CERTIFICATE IS PROUDLY PRESENTED TO



Ethical Standards in Real Estate

Course Hours: 3

Course Designation: Ethics

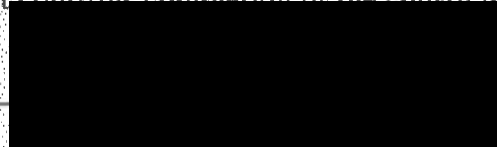
Course Number: CE.6188000-RE

Course Exam Passed: 06/26/2023

This course has been completed through classroom instruction.

Approved by the Nevada Real Estate Division, on behalf of the Nevada Real Estate Commission

By signing, the student confirms completion of the course by themselves and no other



Mike Federwitz

Mike Federwitz, School Registrar



KEY REALTY
SCHOOL

06/26/2023

Completion Date

APPRAISER CERTIFICATION BOARD

August 13, 2024

Agenda Item 4

(n) Standards of Professional Conduct
& the Law



Nevada Department of Taxation
Property Tax Appraiser Continuing Education
New Course Application

Return this form to:
Division of Local Government Services
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706

Please Print or Type:

COURSE INFORMATION (A person who wishes to receive contact hours for a course of continuing education that has not been previously approved, must apply for such approval.)

TITLE OF COURSE

Standards of Professional Conduct & the Law

VENDOR/PROVIDER

GLVAR - Greater Las Vegas Association of Realtors

1. Course Summary:

CE Ethics: Standards of Professional Conduct & the Law

2. What are the hours of instruction? 3

3. What is the completion date? 11-01-2016

SUBJECT CLASSIFICATION - CHECK ALL THAT APPLY

- | | |
|---|--|
| <input type="checkbox"/> Mass Appraisal Concepts and Applications | <input type="checkbox"/> College or Professional Level Accounting, Finance, Statistics or Other Appraisal Subjects |
| <input type="checkbox"/> IAAO Standards | <input type="checkbox"/> GIS, Mapping, CAMA |
| <input type="checkbox"/> Residential, Commercial/Industrial Appraisal | <input type="checkbox"/> Laws Relating to Real Estate, Water or Mining |
| <input type="checkbox"/> Unitary/Centrally Assessed Property Appraisal | <input checked="" type="checkbox"/> Professional Ethics |
| <input type="checkbox"/> Legal Documents (Deeds, Titles, Leases, etc.) | <input type="checkbox"/> Other |
| <input type="checkbox"/> Nevada Statutes or Regulation, Appraisal or Assessment Standards | |

If other, please describe why the course is applicable to appraisal and/or property tax.

REQUIRED MATERIALS TO BE SUBMITTED WITH APPLICATION INCLUDE:

- ☒ Detailed Course Outline
☐ Syllabus or Course Material

SIGNATURE

Requestor Signature

For Department Use Only

NUMBER OF CREDIT HOURS GRANTED	NUMBER OF CREDIT HOURS APPEARING ON TRANSCRIPT	MILESTONE APPLIED TO	TOTAL HOURS FOR THIS MILESTONE

Verified by:

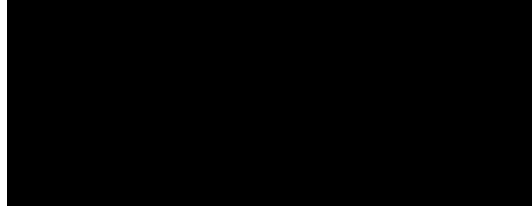
Division of Local Government Services

Title

Date

CERTIFICATE OF ATTENDANCE

REAL ESTATE CONTINUING EDUCATION



Has successfully completed and attended in classroom

Standards of Professional Conduct and the Law

CE3036000-RE for 3 Ethics Credit Hours

On

November 1, 2016

This course is sponsored by:

Greater Las Vegas Association of REALTORS®

A handwritten signature in cursive script, appearing to read 'W. H. H. H. H. H.'.

Authorized Signature

THIS COURSE IS APPROVED BY THE NEVADA REAL ESTATE DIVISION, ON
BEHALF OF THE NEVADA REAL ESTATE COMMISSION

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE DIVISION

SUBJECT/TOPICS	Ethical Standards in Real Estate	COURSE TIMED INCREMENTS
Respect, Responsibility, Results		20mins
a. Understand the definitions and applicability of each		5 minutes
b. Realize importance of your actions and how they relate to your daily activities		5 minutes
c. Learn what aspects of business cannot be compromised		5 minutes
d. Understand what are the universal norms		5 minutes
Review of Sub Topic 1		5 mins
Preamble and Standards of Practice		15 mins
a. The licensee will learn the golden rule, as well as be able to maintain & improve the standards of the profession.		5 minutes
b. The licensee will learn the standards of practice and be able to explain the duties, conduct, and fiduciary conduct that relate to all portions in a real estate transaction.		10 minutes
Review of Sub Topic 2		5 mins
BREAK		10 minutes
Stating your Objection and Concern		20 mins
a. Understand how to say "No" with tact and how to propose alternative actions that are ethical		5 minutes
b. Learn Importance of seeking assistance from higher authority		5 minutes
c. Learn self-evaluation tests to take when determining ethical action		5 minutes
d. Review self-assessment for ethics and implications of results		5 minutes
Review of Sub Topic 3		5 mins
Respect Organizational Resources		20 mins
a. Learn and understand how to approach situations		5 minutes
b. Understand importance of company's mission		10 minutes
c. Learn how to disseminate information to employees telling them resources to use		5 minutes
Review of Sub Topic 4		5 mins
BREAK		10 minutes
Ethics and Leaders Modeling Ethical Behavior		20 mins
a. Realize importance of keeping ethics a part of daily discussions in the workplace		5 minutes
b. Understand how to take the initiative to learn laws and regulations and your role		5 minutes
c. Understand relevance of effective codes and standards for raising concerns and retaliation		5 minutes
d. Understand how to report unethical behaviors of co-workers and importance of encouraging employees to report misconduct in good faith		5 minutes
Review of Sub Topic 5		5 mins
Ethics Enforcement and Code Standards on Retaliation		20 mins
a. The licensee will learn who can file a complaint and what is the process and parties of rights		5 minutes
b. Understand detrimental effect fear of retaliation has on open communications workplace		5 minutes
c. Learn how to provide examples of formal and informal retaliation and correct communication of consequences to employees		5 minutes
d. Understand importance of creating an Open and Non-Retaliatory workplace		5 minutes
Course and Instructor Evaluations, Course Roster Sign Out		10 mins
TOTAL: 150 Mins ÷ 50 class hr = 3 Hours		

APPRAISER CERTIFICATION BOARD

August 13, 2024

Agenda Item 4

(o) Commission Hearings; Case Studies VIII



Nevada Department of Taxation
Property Tax Appraiser Continuing Education
New Course Application

Return this form to:
Division of Local Government Services
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706

Please Print or Type:

COURSE INFORMATION (A person who wishes to receive contact hours for a course of continuing education that has not been previously approved, must apply for such approval.)

TITLE OF COURSE Commission Hearings: Case Studies VII	
VENDOR/PROVIDER Steven Kitnick Seminars, LLC	

1. Course Summary:

CE Ethics: Commission Hearings Case Studies VII

2. What are the hours of instruction? 3

3. What is the completion date? 10-06-2017

SUBJECT CLASSIFICATION - CHECK ALL THAT APPLY

- | | |
|--|--|
| <input type="checkbox"/> Mass Appraisal Concepts and Applications
<input type="checkbox"/> IAAO Standards
<input type="checkbox"/> Residential, Commercial/Industrial Appraisal
<input type="checkbox"/> Unitary/Centrally Assessed Property Appraisal
<input type="checkbox"/> Legal Documents (Deeds, Titles, Leases, etc.)
<input type="checkbox"/> Nevada Statutes or Regulation, Appraisal or Assessment Standards | <input type="checkbox"/> College or Professional Level Accounting, Finance, Statistics or Other Appraisal Subjects
<input type="checkbox"/> GIS, Mapping, CAMA
<input type="checkbox"/> Laws Relating to Real Estate, Water or Mining
<input checked="" type="checkbox"/> Professional Ethics
<input type="checkbox"/> Other |
|--|--|

If other, please describe why the course is applicable to appraisal and/or property tax.

REQUIRED MATERIALS TO BE SUBMITTED WITH APPLICATION INCLUDE:

- ☒ Detailed Course Outline
☐ Syllabus or Course Material

SIGNATURE

Requestor Signature

Date

For Department Use Only

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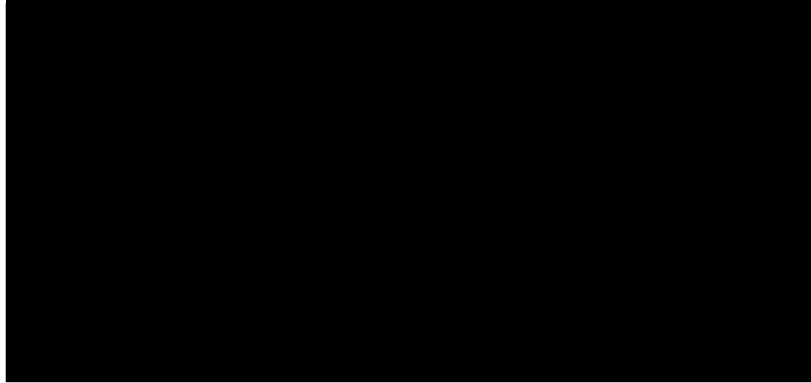
Verified by:

Division of Local Government Services

Title

Date

CERTIFICATE OF ATTENDANCE
REAL ESTATE CONTINUING EDUCATION



Attended & successfully completed a LIVE classroom offering of

Commission Hearings: Case Studies VIII

CE.5904000-RE 3 Hours Ethics

on October 6, 2017

This course is sponsored by:
Steven Kitnick Seminars, LLC
(702) 326-8722

A handwritten signature in blue ink, appearing to read "Steven Kitnick".

Authorized Signature

**THIS COURSE IS APPROVED BY THE NEVADA REAL ESTATE DIVISION
ON BEHALF OF THE NEVADA REAL ESTATE COMMISSION
FOR CONTINUING EDUCATION CREDIT.**



Outlook

Fwd: Commiission Hearings: Case Studies VIII Course Description

Sent from my iPhone

Begin forwarded message:

[REDACTED]

Subject: Commiission Hearings: Case Studies VIII Course Description

This course is designed to increase the knowledge and understanding of real estate licensees concerning the Nevada Real Estate Division and Real Estate Commission's function and purpose pertaining to the administering of laws, regulations, and the ethics of the profession affecting the practice of real estate and their mission to protect the public.

This class is interactive and employs the case study method as a means to learn pertinent laws, regulations, and the ethics of the profession; to understand the legal authorities and responsibilities of brokers and salespersons; to identify and eliminate practices that harm the public, and to enable the licensees to better serve the public.

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APPRAISER CERTIFICATION BOARD

August 13, 2024

Agenda Item 4

(p) Nevada Assessment ABC's and 123's



Nevada Department of Taxation
Property Tax Appraiser Continuing Education
New Course Application

Return this form to:
Division of Local Government Services
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706

Please Print or Type:

COURSE INFORMATION (A person who wishes to receive contact hours for a course of continuing education that has not been previously approved, must apply for such approval.)

<small>NAME OF REQUESTER</small> [Redacted]	<small>TITLE</small> [Redacted]
<small>TITLE OF COURSE</small> Nevada Assessment ABCs and 123s	
<small>VENDOR/PROVIDER</small> Assessors' Association of Nevada	

1. Course Summary:

See Attached

2. What are the hours of instruction? 7.5 Hours

3. What is the completion date? Cou r s e taught on August 28, 2024

SUBJECT CLASSIFICATION - CHECK ALL THAT APPLY

- | | |
|--|---|
| <input type="checkbox"/> Mass Appraisal Concepts and Applications
<input type="checkbox"/> IAAO Standards
<input checked="" type="checkbox"/> Residential, Commercial/Industrial Appraisal
<input type="checkbox"/> Unitary/Centrally Assessed Property Appraisal
<input type="checkbox"/> Legal Documents (Deeds, Titles, Leases, etc.)
<input checked="" type="checkbox"/> Nevada Statutes or Regulation, Appraisal or Assessment Standards | <input type="checkbox"/> College or Professional Level Accounting, Finance, Statistics or Other Appraisal Subjects
<input type="checkbox"/> GIS, Mapping, CAMA
<input type="checkbox"/> Laws Relating to Real Estate, Water or Mining
<input type="checkbox"/> Professional Ethics
<input type="checkbox"/> Other |
|--|---|

If other, please describe why the course is applicable to appraisal and/or property tax.

REQUIRED MATERIALS TO BE SUBMITTED WITH APPLICATION INCLUDE:

- ☐ Detailed Course Outline
☒ Syllabus or Course Material

SIG

Requestor Signature

Date

For Department Use Only

NUMBER OF CREDIT HOURS GRANTED	NUMBER OF CREDIT HOURS APPEARING ON TRANSCRIPT	MILESTONE APPLIED TO	TOTAL HOURS FOR THIS MILESTONE

Verified by:

Division of Local Government Services

Title

Date

Proposed One-Day Course:
Nevada Assessment A B Cs and 1 2 3s

Utilizing Power Point presentations and in-class instruction, the proposed class will summarize pertinent Nevada Revised Statutes as well as basic and advanced appraisal principles, definitions and techniques. The course will provide exam questions to test student knowledge, but the passing of a test is not required for receiving Continuing Education Credit (CE). As a one-day course, the recommended CE would be 7.5 hours.

The proposed introductory course is directed towards newly hired/trainee assessment personnel who may be considering taking IAAO Courses 101 and/or 102. It would also be an excellent resource for those contemplating taking the State Appraisal Exams administered by the Nevada Department of Taxation. The goal would be to give the student a better understanding of appraisal functions utilized in a Nevada assessor's office and ultimately facilitate career enhancement.