



## A Review of the Principles of Valuation

Kirk F. Boone, PPS

NC Advanced Real Property Seminar

Greensboro, NC Sept 25, 2014

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## Who Wants To Be A Millionaire?

**NCDOR 2014 Advanced  
Real Property Seminar  
September 25, 2014**

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## Who Wants To Be A Millionaire?

**Hosted by:  
Kirk Boone  
UNC School of Government**

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# The Rules

- The team that “claps” first will be recognized
- If the team answers the question correctly, it wins the prize for that question
- If the team answers the question incorrectly, the opposing team wins the prize for that question
- The team with the most money wins!

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# The Prizes

\$1,000	\$75,000	\$300,000
\$5,000	\$100,000	\$400,000
\$10,000	\$150,000	\$500,000
\$25,000	\$200,000	\$750,000
\$50,000	\$250,000	\$1,000,000

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# The Prize \$\$ “Boone Bucks”




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# The Prize \$\$

"Baker Bucks"



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# Lifelines

Each team gets 2 lifelines:

✓ Call David



✓ Ask the Audience

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# Audience Play Along!

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
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# ARE YOU READY TO BE A MILLIONAIRE?

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## \$1,000

The principles of value, or appraisal principles, form the foundation for the concepts of value and:

- A Sales Ratio Studies**
- B The DMV**
- C The NC Constitution**
- D Highest and Best Use Analysis**

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## \$5,000

Appraisers must consider competing uses of a property and determine which is the maximum productive use, given:

- A Physical possibility**
- B Legal permissibility**
- C Financial feasibility**
- D All of the above**

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\$10,000

Value is based primarily on expected future benefits, is a summary of the principle of:

- A Relativity
- B Least Astonishment
- C Anticipation
- D Formal public apology

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\$25,000

Economic theory suggests four agents of production necessary to produce anything of utility (of value). They are Land, Labor, Capital, and:

- A Government
- B Management
- C Educashun
- D Consistently high taxes

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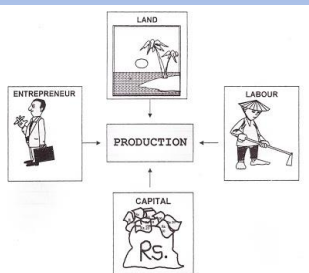
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### Four Agents of Production



Production is a co-operative process and not a job of any single factor.

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\$50,000

The highest market value results when the four agents of production are in proportion to each other. (The proper mix of types and uses of property).

- A Principle of Change**
- B Principle of Balance**
- C Principle of Consistent Use**
- D Principle of Highest Tax**

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\$75,000

Market Factors (PEGS) are constantly changing, therefore the highest and best use is only valid as of a specific date (the date of the appraisal).

- A Principle of Uniformity**
- B Principle of Change**
- C No principles**
- D Principle of Equality**

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\$100,000

The theory of Supply and Demand, as applied to property appraisal, holds that the price of a property varies:

- A Inversely with supply**
- B Directly with Demand**
- C Both A and B**
- D Neither A nor B**

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\$150,000

Market Value tends to be set by the cost of acquiring an equally desirable and valuable property. This underlies each of the three approaches to value.

- A Principle of Equality**
- B Principle of Substitution**
- C Principle of Sameness**
- D Principle of Confusion**

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\$200,000

A lower priced (cost) property located among higher priced properties likely increases in value because of its association with the surrounding properties is an example of the principle of:

- A Hazardous Waste**
- B Progression and Regression**
- C Normalization**
- D Trailers and Mansions**

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\$250,000

Too many bowling alleys in a neighborhood destroys balance and decreases the value of all of the bowling alleys in the neighborhood.

- A Principle of Bowling**
- B Principle of Opposition**
- C Principle of Rivalry**
- D Principle of Competition**

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\$300,000

When the improvements in a neighborhood are reasonably similar, values are maximized. An outlier in a neighborhood may not be at HaBU.

- A Principle of Conformity**
- B Principle of Traditionalism**
- C Principle of Conventionality**
- D Principle of all Principles**

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\$400,000

A property owner spends \$20,000 to add a garage but the market value of the home only increases \$12,000. This is an example of:

- A A poor investment**
- B The Principle of Contribution**
- C The Principle of Influence**
- D The Principle of Impact**

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\$500,000

There is a combination of the agents of production to return the greatest net yield to the land. Adding more capital will give a decreased return. This is the principle of:

- A Cumulative and Falling Returns**
- B Growing and Shrinking Returns**
- C Increasing and Decreasing Returns**
- D Secret agents of production**

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\$750,000

HaBU of a residential improved property could be a vacant commercial site. Adding value for the residence would violate:

- A All Common Reason**
- B Morals and Ethics Laws**
- C Consistent Use Principle**
- D Reliability Principle**

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\$1,000,000

The Principle of \_\_\_\_\_: After the costs of labor, management, and capital have been paid, the net income is attributable to the land.

- A Overage to Land**
- B Glad we're almost done**
- C Excess Yield**
- D Surplus Productivity**

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Winner!



CONGRATULATIONS!

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# Audience How'd You Do?

Your Score:



0-5

See Kirk after class!



6-10

Probably won't go to jail!



11-14

Good Job!



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You can teach this class!

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# Thank You!

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