

BUSI 452 Case Studies in Appraisal II

PURPOSE AND SCOPE

The *Case Studies in Appraisal II* course (BUSI 452) is a continuation of BUSI 442. This course is intended to introduce further practical applications of how appraisal theory is applied in the valuation of a variety of real estate and related business and real property assets.

After completing this course, students should be able to:

- Explain and apply appraisal considerations in the valuation of business enterprises, machinery and equipment, hotels, and seniors housing, rationalizing the approaches to value applied using logic appropriate to the property type.
- Discuss appraisal considerations in arbitration, First Nations Land Claims, and assessment appeals.
- Discuss the characteristics relevant to an appraisal of partial interests and other land-related rights, including water lots, air rights, rights of way, and life estates.
- Discuss the role of real estate professionals in feasibility studies, market studies, reserve fund planning, arbitration, and various other consulting specializations.

LESSON 1 – Business Valuation Fundamentals

1. Define fair market value, going concern, and other business valuation terms.
2. Compare differences in business valuation versus real estate appraisal.
3. Explain the due diligence requirement in business valuation.
4. Discuss business valuation methods and evaluate which method to use in a given situation.
5. Calculate the net asset value of a business.
6. Define special purchasers and outline their impact on business value.
7. Discuss considerations in the sale of a business by shares or assets, including tax issues.

LESSON 2 – Business Valuation Applications

1. Define and apply income/cash flow-based valuation methods.
2. Differentiate between transferable and personal goodwill.
3. Explain the concept of redundant assets and how they impact business value.
4. Apply approaches in the valuation of intangible assets including brands.
5. Explain the steps involved in a business valuation assignment and the completion of a valuation report.

LESSON 3 – Valuation of Machinery and Equipment

1. Identify the different types of machinery and equipment valuation assignments.
2. Define the different types of machinery and equipment values.
3. Explain how to approach a machinery and equipment valuation assignment.
4. Identify the information resources required and available to complete the various types of machinery and equipment assignments.

5. Describe how machinery and equipment valuation applies the income, cost, and direct comparison approaches and evaluate the pros and cons of each for different situations.
6. Discuss how machinery and equipment appraisals have been applied in legal proceedings and the appraiser's role in these cases.
7. Calculate and explain a variety of different value conclusions for machinery and equipment, depending on the scope and intended use of the valuation assignment.
8. Discuss valuation considerations for a variety of M&E contexts, such as farm machinery, restaurants, and steel fabrication plants.

LESSON 4 – Appraising Hotels

1. Identify statistics that are important to a hotel appraisal.
2. Explain why a hotel's location is of utmost importance.
3. Explain why supply and demand of hotel rooms is so crucial in a hotel market analysis.
4. Explain the concept of a hotel's fair share, and market penetration by market segment.
5. Explain the concept of hotel franchise.
6. Explain when the cost approach is the most reliable for a hotel appraisal.
7. Explain the difficulties in applying the direct comparison approach to hotels.
8. Explain why the income approach is considered the most reliable in a hotel appraisal.
9. Explain the purpose of the furniture, fixtures, and equipment (FF&E) and reserve for replacement for hotels.

LESSON 5 – Hotel Valuation Case Studies

1. Calculate future market demand, supply, and occupancy levels over time.
2. Determine the fair share, fair share of demand, and the demand captured for the subject property.
3. Calculate the occupancy achieved by the subject property over time.
4. Determine the subject hotel's average room rates and RevPAR over time.
5. Prepare a forecasted income and expense analysis.
6. Determine the market value of the subject hotel using discounted cash flow analysis, direct capitalization, and direct comparison techniques.
7. Analyze results with sensitivity analysis.
8. Reconcile a final value conclusion.

LESSON 6 – Detrimental Conditions and the Appraiser

1. Explain the basic property value impacts of property impairment and the methods to analyze these impacts.
2. Discuss the role of the appraiser in the valuation of impaired property.
3. Outline considerations from Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) for the valuation of impaired properties.
4. Describe the application of the detrimental condition matrix, detrimental condition model, and Bell chart.

LESSON 7 – Valuation Techniques for Impaired Properties

1. Explain the rationale underlying the valuation analysis of impaired property.
2. Discuss the methods available for the valuation of impaired property.
3. Review an impairment situation and determine an appropriate approach to follow in valuing the property.
4. Carry out the proper steps to value an impaired property using the cost approach, direct comparison approach, and income approach, applying a variety of applicable techniques within each.

LESSON 8 – Market Analysis: Highest and Best Use and Feasibility

1. Discuss how market analysis is used in appraisal and the approaches to value.
2. Analyze a property's highest and best use of land as if improved and what is maximally productive.
3. Discuss the application of market and feasibility analysis in consulting assignments.
4. Compare and contrast the relationship between highest and best use, market analysis, and feasibility studies.
5. Identify key elements of market and feasibility analyses.
6. Apply the six-step process for carrying out a market analysis assignment.

LESSON 9 – Valuation of Specialized Partial Interests

1. Describe the basic principles underlying the valuation of unique partial interests.
2. Identify and explain other interests.
3. Explain how to approach the valuation of other interests.
4. Analyze market information regarding the valuation of other interests.
5. Rationalize which valuation approach is most appropriate in a given situation.
6. Research basic information necessary in order to carry out a valuation analysis of other interests.

LESSON 10 – Seniors Housing

1. Define key terms related to the types and variations of seniors housing alternatives.
2. Discuss the history of seniors housing in Canada and how this relates to contemporary options.
3. Outline aspects in the development process that affect feasibility for a seniors facility project.
4. Discuss how the three primary valuation methods (cost, direct comparison, and income) apply to the appraisal of seniors housing and health care facilities.
5. Explain how business value and non-realty assets complicate the valuation of seniors housing.
6. Discuss the role of demographic analysis in forecasting the needs for seniors housing in the future.
7. Outline key considerations in reviewing the accuracy and fairness of a property tax assessment for seniors housing.

LESSON 11 – Specialized Valuation Services

1. Discuss financial reporting requirements as they pertain to real estate and the role of real property valuation professionals.
2. Explain the purpose of a reserve fund study and the physical and functional aspects of a typical study, as well as the qualifications to complete this work.
3. Describe the basis for assessed values and the potential role of a valuation professional in appealing a property tax assessment.
4. Describe the purpose of arbitration in real estate situations and the valuation professional's possible role in these situations.
5. Describe the two main types of First Nations Land Claims and explain how valuation professionals might be involved in each of these.