

RE 3381

REAL ESTATE FUNDAMENTALS CLASS:

REAL ESTATE MARKETS AND VALUATION MODULE

SPRING 2014

CLASS NO. 4

FEBRUARY 3, 2014

Next Class Assignment:

- **Read handout material as set forth in Syllabus**
- **Poppettes keep coming....**
- **Complete project for Pop Test Grade**
- **No class Wednesday, February 5th!**

SEGMENT 1: COMMENTS ON "NEIGHBORHOODS" – CONTINUED FROM CLASS 3

I. Neighborhoods (now properly referred to as "Market Areas")

"Neighborhood" defined as "A group of complementary land uses"

"Market Area" defined as "the area in which properties compete"

A. What does 'complementary' mean?

B. How are market area boundaries defined?

- 1. Analysis of the subject property**
- 2. Examine the area's physical characteristics**
- 3. Determine preliminary boundaries on a map**
- 4. Determine if preliminary boundaries correspond to demographic data**

C. What causes Neighborhoods to change? For better... For worse...

"S – E – G – E" - See overhead

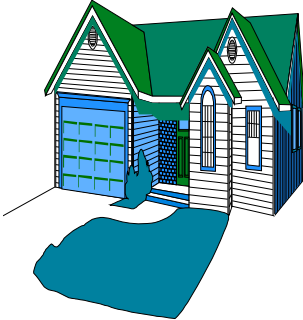
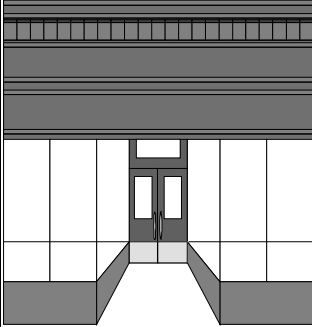
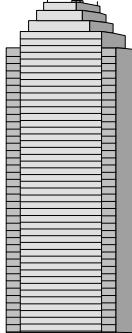
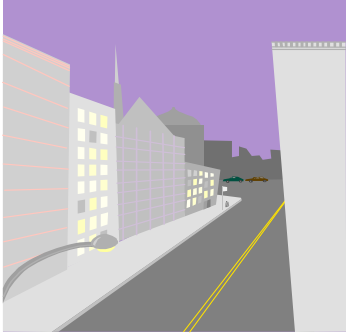
D. Real Estate/Neighborhoods/Home Data – on line data source examples.

- www.Realtor.com
- **NCTCOG (Entire North Texas Area – great aerial maps and demographics too)**
www.NCTCOG.gov
- **Commercial Real Estate**
www.globest.com
www.CBRE.com
www.RCanalytics.com
www.realestatedmagazine.com
- **Paid Demographic Sites**
STDBonline
 - **See Samples/Overheads**

Home “value” sites

- **Home “value” sites**
www.zillow.com
www.homegain.com
- **For sale, above, and:**
www.ebby.com

NEIGHBORHOOD "FORCES" AND REAL ESTATE VALUES

<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Force</div> <div style="margin-left: 10px;"> Property Type → </div> </div>	Residential	Retail	Office	Industrial
				
<ul style="list-style-type: none"> • Social <ul style="list-style-type: none"> - Pop. Trends - Age/Other Demogs. - Crime 				
<ul style="list-style-type: none"> • Economic <ul style="list-style-type: none"> - Income Levels - Rent/Value Levels - Change - Occupancy 				
<ul style="list-style-type: none"> • Governmental <ul style="list-style-type: none"> - Taxes - Zoning, Legal - Munc. Support 				
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Topo./Geo. - Location/Linkages (Access) - Negatives (Airport, etc.) 				

SEGMENT 2:

LAND/SITE DESCRIPTION ANALYSES

I. Introduction

A. Land vs. Site

B. Purpose

- 1. Factual presentation of data**
- 2. Use in sales comparison (later)**
- 3. Assist in Highest and Best Use Analysis**

II. Legal Description

A. USPAP/FIRREA Mandatory (in an "Appraisal")

B. Most Common Methods in the U.S.

- 1. Metes and Bounds (see overhead)**
- 2. Lot and Block (see overhead)**
- 3. Rectangular Survey System (not so much)**

**1717 Main St
Comerica Bank Tower**



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III. Land Use Regulations

A. Zoning

B. Deed Restrictions

- C. Discussion on ocean front article – see picture in back**
- Comment on Museum Tower – see picture in back

IV. History of Ownership

A. USPAP/FIRREA Mandate – Why?

1. Residential: 1 year

2. Other: 3 years

- "Consider and Analyze"**

V. Easements and Encroachments

- See Overhead Examples**

VI. Flood Maps - See FEMA overhead

VII. Examples of Physical Characteristics of Land/Site that Affect Value

A. Size

- Value usually expressed as "per SF" or "per acre" or "per front foot."**
- How big is an "acre"...**

B. Shape

C. Corner influence

D. Topography

E. Utilities

F. Location

1. Linkages: Time distance relationship

2. Traffic counts – see map

3. Ingress/egress (access)

G. Environment

1. Externalities (adjoining properties)

2. Climatological factors

SEGMENT 3:

IMPROVEMENT ANALYSIS

(You did not have any text reading on this – all from these notes.)

I. Introduction

- **Affects all 3 approaches to value**

II. Use Classifications

- **Follows basic categories presented in Class 1**

A. Residential (single family and apartments)

B. Commercial

- **Office**
- **Retail**

C. Industrial

D. Agricultural (farms, ranches)

E. Special Purpose

III. Size – Building Measurements

A. Residential (single family homes; apts; condos)

- **Gross Livable Area (GLA): Above ground**
- **Condo: Legally defined as “air space” – differs from that of an apartment**

B. Retail and Industrial

- **Gross Leasable Area (GLA)**

C. Office (see overhead)

- **Gross Building Area**
- **Usable Area:** The secured area (sf) occupied exclusively by tenant within a tenant's leased space. The useable area plus the load factor for common area equals the net rentable area on which rent is charged.
- **Net Rentable Area:** The square footage on which rent can be charged. Generally, it is the gross area (sf) of the full floor less the area of all vertical penetrations (elevator shafts, stairs, mechanical shafts, etc.)

IV. Style and Function

A. Architectural style

- character of the improvements form and ornamentation

B. Function

1. the ability of the improvements to be useful and to perform the function for which they were intended, according to current market tastes and standards: generally, a building is functional if it successfully serves the purpose for which it was originally designed
2. must be judged in light of market standards of acceptability, specifically the standards of buyers (or tenants) who make up the market for that particular type of property

C. Compatibility

1. influenced by zoning, historical districts, land use patterns, etc.
2. generally readily observable to even the casual eye

D. Functional Utility – Some Examples

1. Residential

- **layout/size/price**
- **mix**

2. Retail

- **bay depths**
- **2nd floor (ex. Rodeo Drive in Beverly Hills)**
- **parking**

3. Office

- **floor plates**
- **parking**

4. Industrial

- **ceiling height**
- **land-to-building ratios**
- **loading**

5. Special Purpose

SEGMENT 4:

HIGHEST AND BEST USE

- I. One crucial determinant of market value is highest and best use.**
 - A. The highest and best uses of land or sites and improved properties are selected from various alternative uses.**
 - B. Highest and best use conclusions relate to the motivations of the market for the subject property.**
 - C. Market value concepts of highest and best use differ from those related to a client's specific investment requirements.**

II. Definition: Highest and Best Use

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

- A. The definitions of highest and best use indicate that there are two types of highest and best use**
 - 1. Highest and best use of land or a site as though vacant**
 - 2. Highest and best use of a property as improved**

III. Criteria used in highest and best use analysis

- A. Legally permissible**
- B. Physically possible**
- C. Financially feasible**
- D. Maximally productive**

Refer to Mrs. Baird's Overhead

Coral Gables, FL San Diego, CA Montgomery, AL Dallas, TX United States

2010 Summary

Population	46,780	1,307,402	205,764	1,197,816	308,745,538
Households	17,946	483,092	81,486	458,057	116,716,292
Families	11,192	285,221	51,628	265,538	77,538,296
Average Household Size	2.35	2.6	2.44	2.57	2.58
Owner Occupied HUs	11,452	233,158	47,986	201,880	75,986,074
Renter Occupied HUs	6,494	249,934	33,500	256,177	40,730,218
Median Age	38.8	33.7	34.1	31.9	37.1

2012 Summary

Population	47,606	1,316,303	207,233	1,218,178	313,129,017
Households	18,274	489,622	82,070	467,160	118,208,713
Families	11,317	286,364	51,583	265,403	77,957,858
Average Household Size	2.36	2.59	2.44	2.57	2.58
Owner Occupied HUs	11,241	228,193	48,660	201,357	75,420,523
Renter Occupied HUs	7,033	261,429	33,411	265,803	42,788,190
Median Age	39.2	33.9	34.3	32.1	37.3

2017 Summary

Population	50,113	1,371,287	212,252	1,283,048	323,986,227
Households	19,410	509,602	84,260	491,296	122,665,498
Families	12,027	300,574	52,594	282,835	80,816,843
Average Household Size	2.35	2.6	2.43	2.57	2.58
Owner Occupied HUs	12,042	241,821	50,195	215,397	78,931,371
Renter Occupied HUs	7,367	267,781	34,065	275,899	43,734,127
Median Age	39.9	34.4	34.9	32.4	37.8

Area Trends: 2012-2017 Annual Rate

Population	1.03%	0.82%	0.48%	1.04%	0.68%
Households	1.21%	0.80%	0.53%	1.01%	0.74%
Families	1.22%	0.97%	0.39%	1.28%	0.72%

	<i>Covington</i>	<i>SO</i>	<i>Montgomery</i>	<i>Dallas</i>	<i>US</i>
Owner HHs	1.39%	1.17%	0.62%	1.36%	0.91%
Median Household Income	1.60%	3.37%	2.98%	4.17%	2.55%
National Trends: 2012-2017 Annual Rate					
Population	0.68%				
Households	0.74%				
Families	0.72%				
Owner HHs	0.91%				
Median Household Income	2.55%				
Households by Income - 2012					
< \$15,000	1,637	57,801	13,710	77,142	15,930,921
\$15,000 - \$24,999	1,513	46,288	10,087	69,651	13,235,854
\$25,000 - \$34,999	1,370	44,517	9,058	60,703	12,592,251
\$35,000 - \$49,999	1,742	65,142	13,262	73,958	17,132,127
\$50,000 - \$74,999	2,589	83,501	13,296	70,899	21,990,567
\$75,000 - \$99,999	1,788	58,835	9,128	34,261	13,385,393
\$100,000 - \$149,999	3,036	71,809	8,128	39,846	14,227,290
\$150,000 - \$199,000	1,627	33,568	2,674	16,170	5,016,492
\$200,000+	2,972	28,153	2,720	24,525	4,696,574
Median Household Income	\$78,228	\$57,189	\$43,023	\$39,172	\$50,157
Average Household Income	\$111,987	\$79,581	\$61,940	\$63,481	\$68,162
Per Capita Income	\$45,940	\$30,771	\$25,699	\$24,846	\$26,409
Households by Income (percentage) - 2012					
< \$15,000	8.96%	11.81%	16.71%	16.51%	13.48%
\$15,000 - \$24,999	8.28%	9.45%	12.29%	14.91%	11.20%
\$25,000 - \$34,999	7.50%	9.09%	11.04%	12.99%	10.65%
\$35,000 - \$49,999	9.53%	13.30%	16.16%	15.83%	14.49%
\$50,000 - \$74,999	14.17%	17.05%	16.20%	15.18%	18.60%
\$75,000 - \$99,999	9.78%	12.02%	11.12%	7.33%	11.32%
\$100,000 - \$149,999	16.61%	14.67%	9.90%	8.53%	12.04%
\$150,000 - \$199,000	8.90%	6.86%	3.26%	3.46%	4.24%
\$200,000+	16.26%	5.75%	3.31%	5.25%	3.97%
Households by Income - 2017					

	<i>Crowd galls</i>	<i>SO</i>	<i>Mont</i>	<i>Dallas</i>	<i>CS</i>
< \$15,000	1,543	57,956	13,487	78,457	15,673,121
\$15,000 - \$24,999	1,163	38,899	8,060	56,036	10,529,063
\$25,000 - \$34,999	1,063	35,997	8,034	50,212	10,308,687
\$35,000 - \$49,999	1,695	58,953	12,655	67,704	15,844,587
\$50,000 - \$74,999	3,220	82,016	16,239	97,560	24,513,070
\$75,000 - \$99,999	2,260	78,978	10,445	47,311	17,714,618
\$100,000 - \$149,999	3,341	82,890	9,234	47,316	16,490,921
\$150,000 - \$199,000	1,881	41,639	3,204	19,303	6,312,420
\$200,000+	3,244	32,265	2,896	27,393	5,277,767
Median Household Income	\$84,699	\$67,497	\$49,825	\$48,044	\$56,895
Average Household Income	\$129,433	\$90,784	\$68,615	\$73,256	\$77,137
Per Capita Income	\$52,989	\$34,898	\$28,411	\$28,539	\$29,882
Households by Income (percentage)- 2017					
< \$15,000	7.95%	11.37%	16.01%	15.97%	12.78%
\$15,000 - \$24,999	5.99%	7.63%	9.57%	11.41%	8.58%
\$25,000 - \$34,999	5.48%	7.06%	9.54%	10.22%	8.40%
\$35,000 - \$49,999	8.73%	11.57%	15.02%	13.78%	12.92%
\$50,000 - \$74,999	16.59%	16.09%	19.27%	19.86%	19.98%
\$75,000 - \$99,999	11.64%	15.50%	12.40%	9.63%	14.44%
\$100,000 - \$149,999	17.21%	16.27%	10.96%	9.63%	13.44%
\$150,000 - \$199,000	9.69%	8.17%	3.80%	3.93%	5.15%
\$200,000+	16.71%	6.33%	3.44%	5.58%	4.30%
Population by Age - 2010					
0 - 4	2,210	80,792	14,768	102,975	20,201,362
5 - 9	2,428	75,073	14,126	89,707	20,348,657
10 - 14	2,346	75,345	13,914	78,234	20,677,194
15 - 19	4,391	90,813	15,134	76,976	22,040,343
20 - 24	4,780	127,987	17,468	94,880	21,585,999
25 - 34	4,957	230,247	29,986	219,848	41,063,948
35 - 44	6,197	183,750	26,229	170,106	41,070,606
45 - 54	6,541	171,993	27,545	150,317	45,006,716
55 - 64	5,636	131,765	22,324	108,830	36,482,729

Figure 12.1 Metes and Bounds

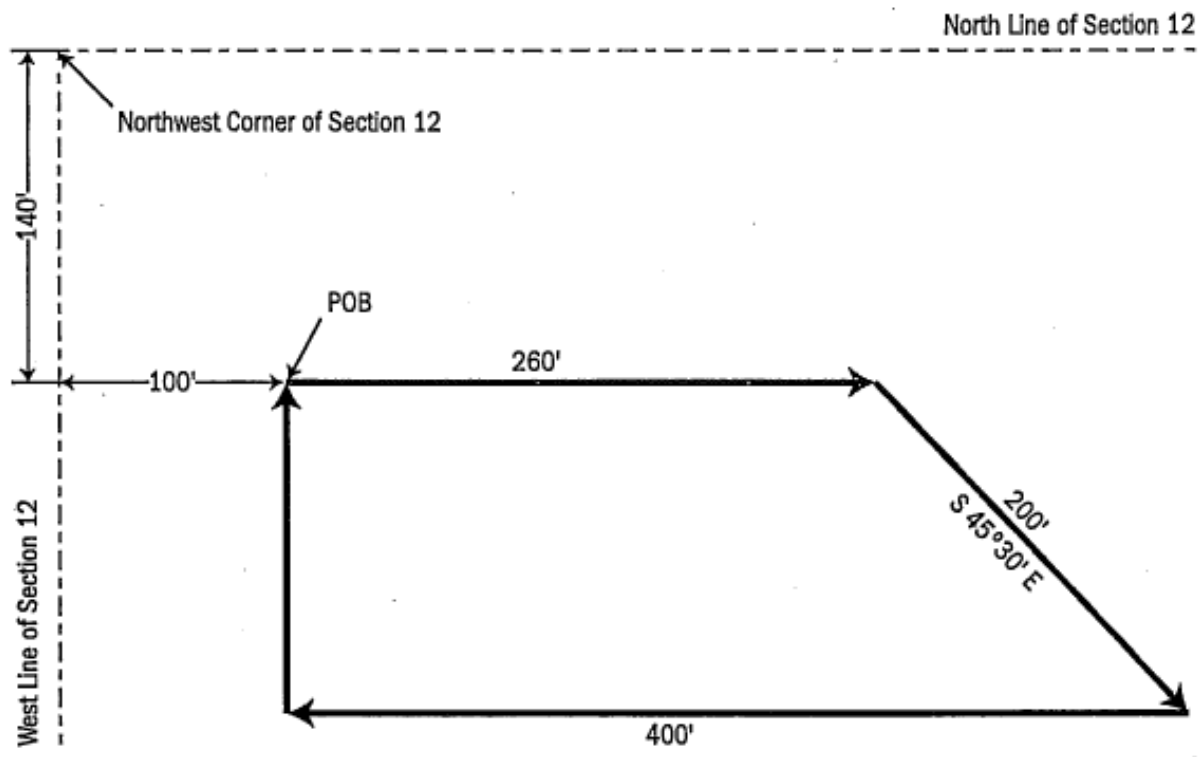
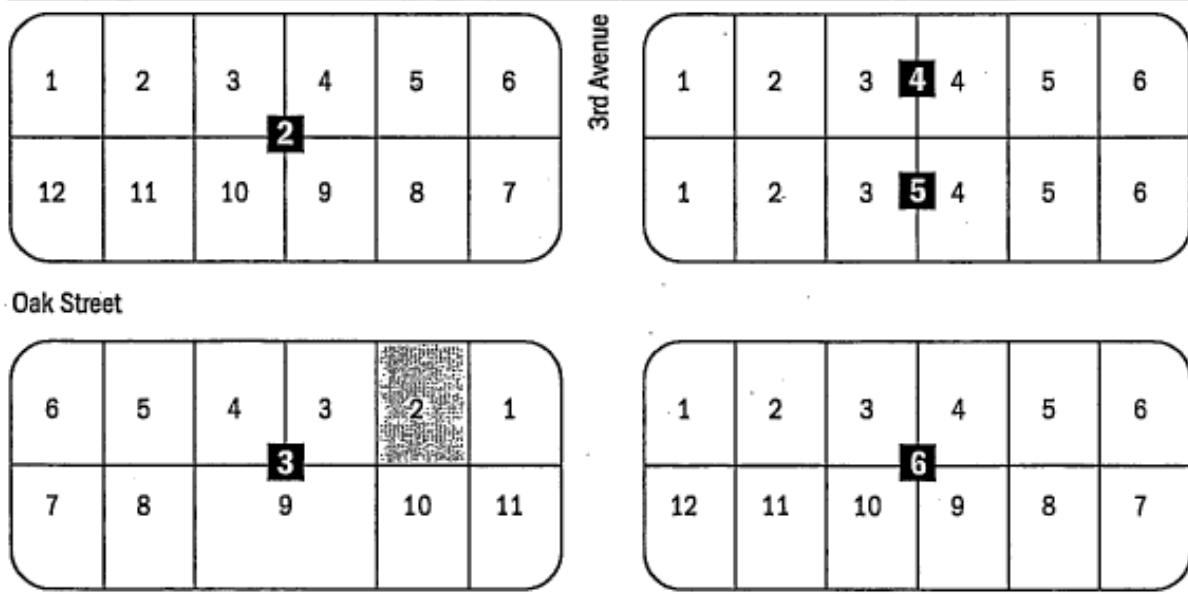
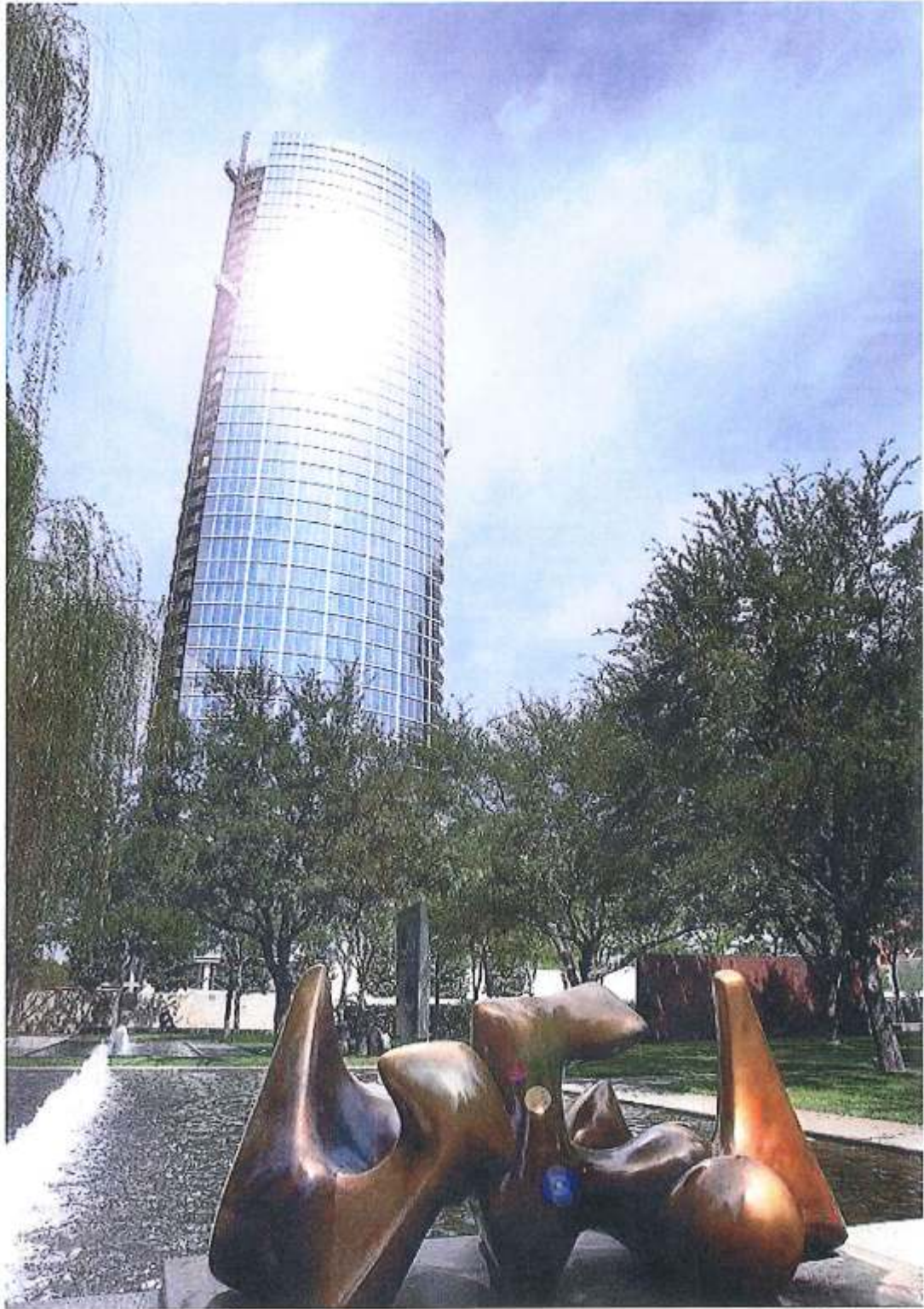


Figure 12.3 Lot 2 in Block 3

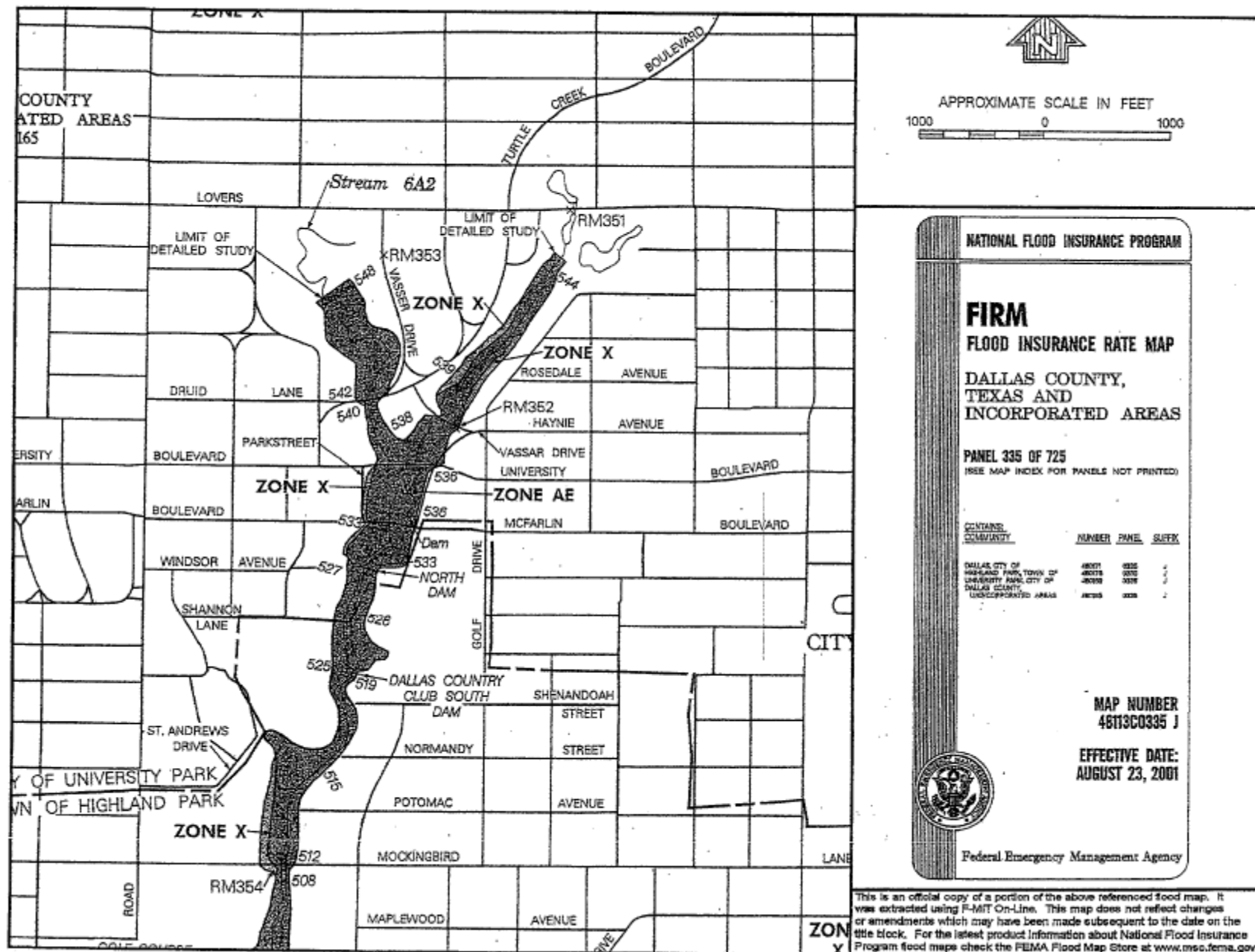




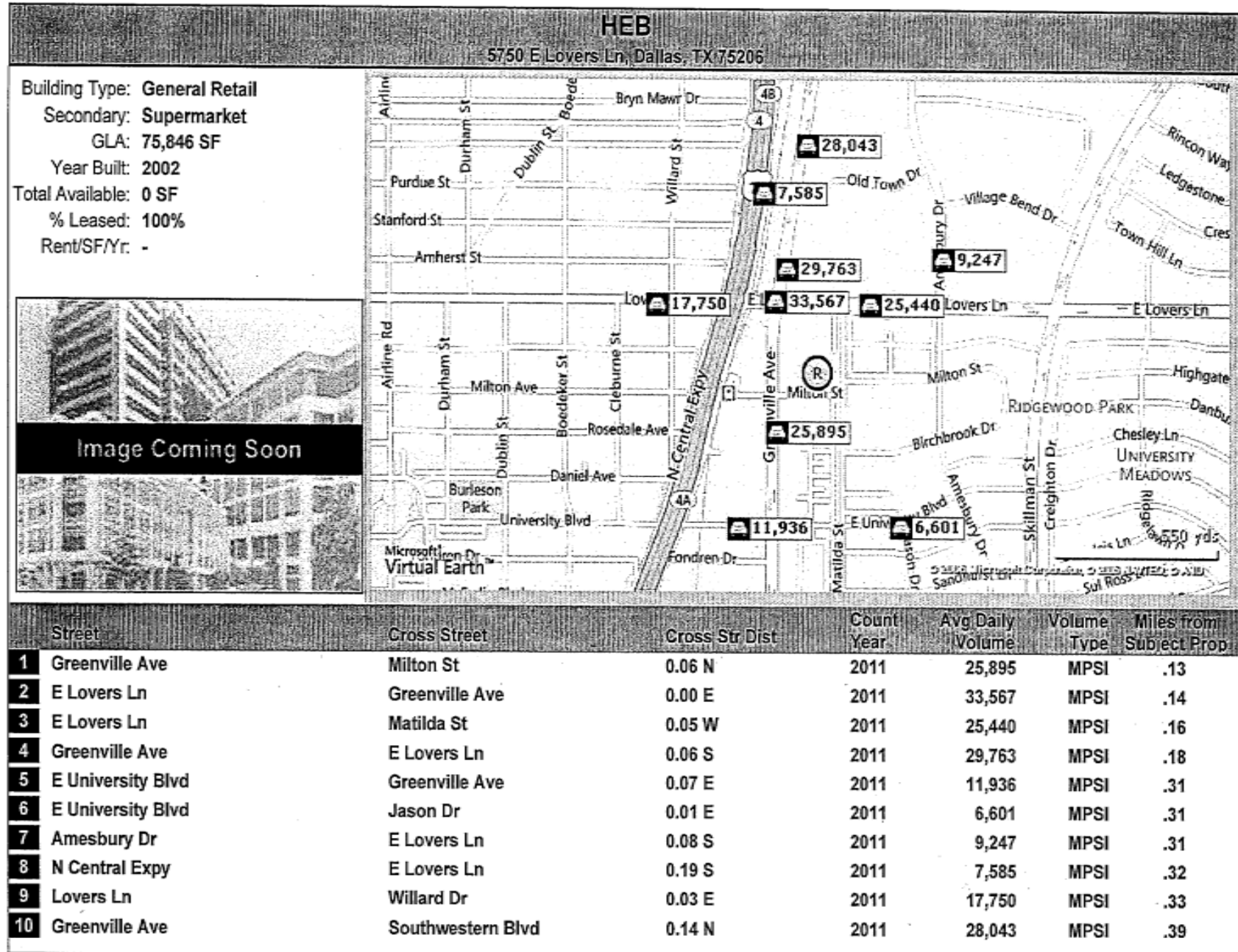


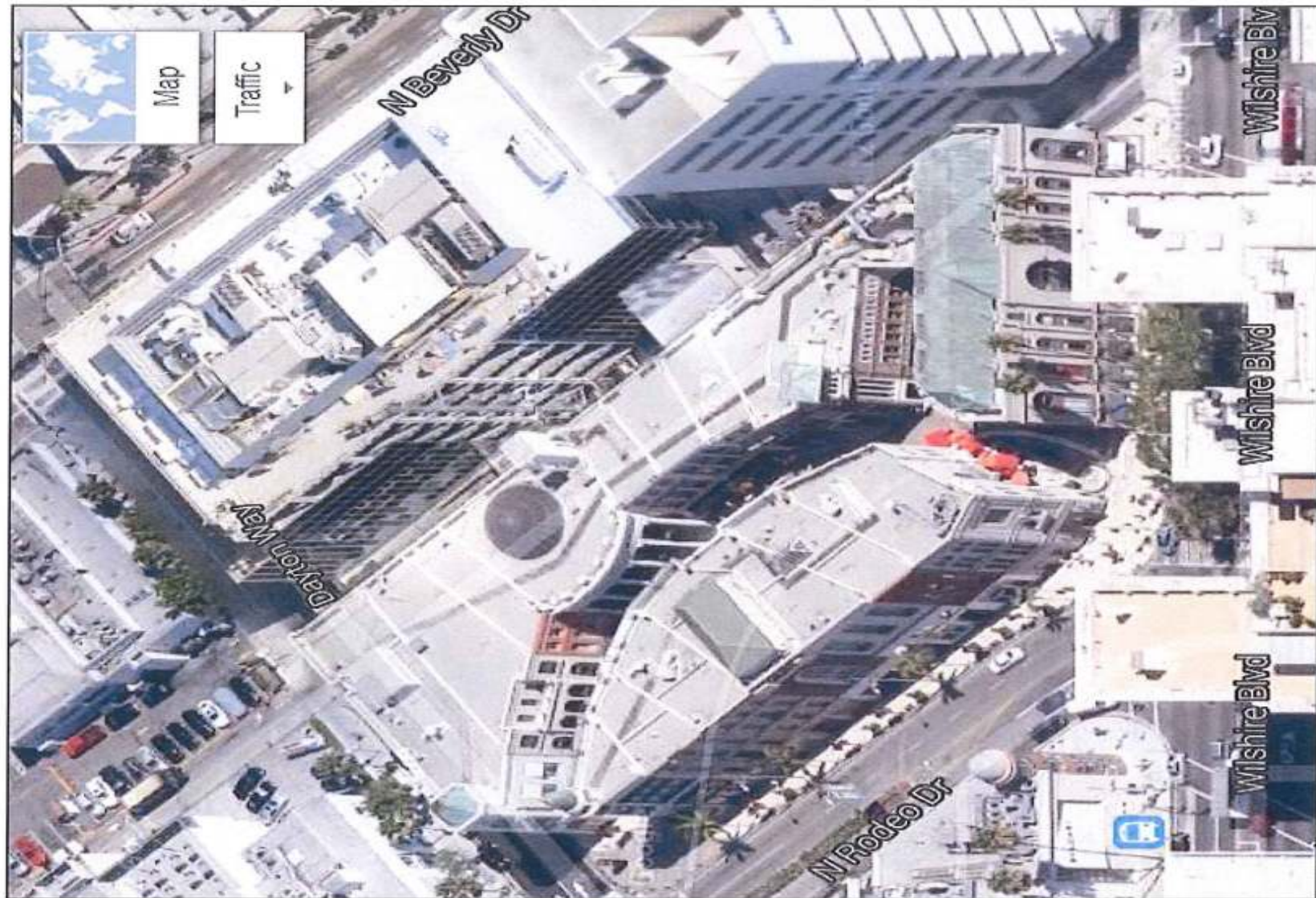






Traffic Count Report





Aerial Photo



Aerial Photo



NEW JERSEY

Towns go to lengths to keep beaches private

AT A GLANCE State rules

Texas: Voters decided in November that the right to public beach access should be part of the state constitution, even as homeowners feared erosion of their property rights.

Florida: The U.S. Supreme Court ruled last week that the state can undertake beach-widening projects without compensating beach front property owners who lose exclusive access to the water.

California: It has fought for years to mediate public demands for access to some prime beaches when wealthy homeowners tried to block them.

Hawaii: A new law prohibits property owners from using vegetation to block beach access.

North Carolina: State officials are trying to balance competing demands over the use of a popular Outer Banks beach between fishermen and outdoor enthusiasts who want to drive their vehicles on the sand, and environmentalists who want to protect coastal wildlife.

Public access to shore has become a battle in many coastal states

MANTOLOKING, N.J. — Some Jersey shore beach towns have plenty of ways to keep outsiders off their sand: Limit on-street parking, prohibit food and drink and have no public bathrooms.

One town literally walls off the public from much of the ocean with a protective stone seawall and offers virtually no parking for miles along it.

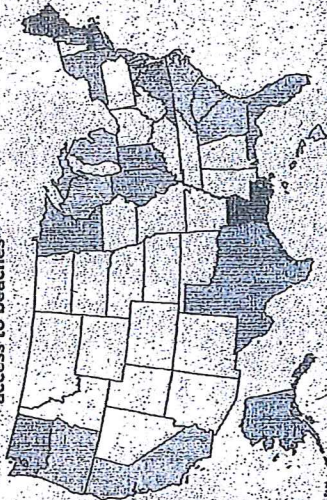
Beach access has become a long, drawn-out court battle in many states. And now in New Jersey, the state Department of Environmental Protection is bowing to complaints from some local governments and private property owners that state access rules are too strict.

The department is letting each shore town decide for itself what level of public access is appropriate, though the state agency will still have to sign off on each plan. The new policy has some beach advocates fearing towns will become even more restrictive.

"This is extremely frustrating," said Ralph Corsica, who co-founded Citizens Right to Access Beaches after the beloved Point Pleasant Beach was bulldozed to make way for ocean-

Not all beaches are public
In some states, private property goes to the low-tide line. In others the beaches are public. Private property can also cut off parking areas from beaches. The nonprofit Surfrider Foundation rates states by public accessibility.

Quality of public access to beaches
Poor Fair Good



SOURCE: Surfrider Foundation

The Associated Press

front luxury homes about a decade ago. "This sets us back 15 years. Everything we've tried to do all these years is failing apart."

The department says its goal is to maintain public access while applying common sense to beach access rules and giving towns and property owners lat-

Battles over who rules the

sand are being fought all over the country. It's not just about unbroken ocean views, either.

In New Jersey, tourism is a nearly \$40 billion industry and its beaches are a primary draw. Under the previous administration of Gov. Jon Corzine, New Jersey required public access points every quarter-mile and bathrooms every half-mile on any beach that received public money for beach replenishment.

But an appeals court overturned those rules in 2009, deciding that the state had no right to order towns to allow 24-hour access to their beaches or to require bathrooms there. Stone Harbor Mayor Suzanne Walters said her town already provides plenty of access to beachgoers.

The biggest change with the DEP seems to be their willingness to listen, she said.

Wayne Perry, The Associated Press

THE WAY FORWARD
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