

## Glossary of Terms

*The following glossary is designed to assist the reader of the report with the terminology used in the appraisal report.*

AVERAGE: Considered the "norm".

ABOVE AVERAGE: Somewhat above the "norm".

GOOD: Substantially above "norm". Substantially higher than the usual kind or quality. Favorable qualities/characteristics.

EXCELLENT: Having the best qualities. The highest level above the "norm".

FAIR: Somewhat below the "norm". Somewhat lower than usual kind or quality.

POOR: Substantially below the "norm". Substantially lower than usual kind or quality.

ATYPICAL: Irregular, different from the norm or usual.

TYPICAL: A characteristic that is representative of the "norm".

ADEQUATE: Sufficient for a specific requirement.

INADEQUATE: Insufficient for a specific requirement.

*The following terms are frequently unique to appraisals.*

ARMS LENGTH TRANSACTION: A transaction between educated, typically motivated, unrelated parties under no duress.

AGE-LIFE METHOD OF DEPRECIATION: Estimating depreciation in which the effective age of a building and its total economic life is applied to the current cost of the improvements.

CAP RATE (ALSO KNOWN AS CAPITALIZATION RATE): Any rate used to convert income into value.

COST APPROACH: A set of procedures through which a value indication is derived by estimating the current cost less depreciation.

DEFERRED MAINTENANCE: Curable, physical deterioration that should be corrected immediately.

ECONOMIC LIFE: The period over which improvements to real property add to property value.

CAP RATE (ALSO KNOWN AS CAPITALIZATION RATE): Any rate used to convert income into value.

EXTRAORDINARY ASSUMPTION: An assumption that if found to be false, could alter the opinion or conclusion.

FEE SIMPLE TITLE: A title that signifies ownership of all the rights in a parcel of real property, subject only to the limitations of the four powers of government.

HYPOTHETICAL CONDITION: That which is contrary to what exists. Known to be false.

MARKET AREA: The geographic or locational delineation of the market for a specific category of real estate. i.e.: The area in which similar properties effectively compete with the subject property in the minds of probable, potential, purchasers and users.

MARKET RENT: The rental income that a property would most probably command in an open market.

REPLACEMENT COST: The estimated cost to construct, at current prices, a building with equivalent utility.

**This is not an all inclusive list of terminology, but rather a brief listing of the most typically used terminology.**