

Table of Contents Comparison, 3rd and 2nd Canadian Editions of *The Appraisal of Real Estate*

The *Appraisal of Real Estate, Third Canadian Edition* is recommended for use in all Real Estate Division valuation courses. Students who are using the *Second Canadian Edition* will find the chapter numbers differ between editions. The table on the following page compares the chapter numbers and names between the *Second Edition* and *Third Edition*:

3rd Canadian Edition (2010)**2nd Canadian Edition (2005)**

Foreword		Foreword	
Chapter 1	Real Property and Its Appraisal	Chapter 1	Real Property and its Appraisal
Chapter 2	The Nature of Value	Chapter 2	The Nature of Value
Chapter 3	Foundations of Appraisal	Chapter 3	Foundations of Appraisal
Chapter 4	Real Estate Markets	Chapter 4	The Valuation Process
Chapter 5	The Money and Capital Markets	Chapter 5	Real Property Ownership and Interests
Chapter 6	Real Property Ownership and Interests	Chapter 6	Real Estate Markets, Money Markets, and Capital Markets
Chapter 7	The Valuation Process	Chapter 7	Data Collection
Chapter 8	Data Collection	Chapter 8	Market Areas, Neighbourhoods, and Districts
Chapter 9	Market and Marketability Analysis	Chapter 9	Land or Site Analysis
Chapter 10	Land and Site Analysis	Chapter 10	Improvement Analysis
Chapter 11	Improvement Analysis	Chapter 11	Market Analysis
Chapter 12	Highest and Best Use Analysis	Chapter 12	Highest and Best Use Analysis
Chapter 13	The Direct Comparison Approach	Chapter 13	Land or Site Valuation
Chapter 14	Comparative Analysis	Chapter 14	The Cost Approach
Chapter 15	Applications of the Direct Comparison Approach	Chapter 15	Building Cost Estimates
Chapter 16	Land and Site Valuation	Chapter 16	Depreciation Estimates
Chapter 17	The Cost Approach	Chapter 17	The Direct Comparison Approach
Chapter 18	Building Cost Estimates	Chapter 18	Adjustment and Analytical Techniques in the Direct Comparison Approach
Chapter 19	Depreciation Estimates	Chapter 19	Applications of the Direct Comparison Approach
Chapter 20	The Income Approach	Chapter 20	The Income Approach
Chapter 21	Income and Expense Analysis	Chapter 21	Income and Expense Analysis
Chapter 22	Direct Capitalization	Chapter 22	Direct Capitalization
Chapter 23	Yield Capitalization – Theory and Basic Applications	Chapter 23	Yield Capitalization — Theory and Basic Applications
Chapter 24	Discounted Cash Flow Analysis and Special Applications in Income Capitalization	Chapter 24	Discounted Cash Flow Analysis and Special Applications in Income Capitalization
Chapter 25	Reconciling Value Indications	Chapter 25	Reconciling Value Indications
Chapter 26	The Appraisal Report	Chapter 26	The Appraisal Report
Chapter 27	Appraisal Review and Appraisal Consulting	Chapter 27	Appraisal Specialties and Emerging Issues
Chapter 28	Statistics in Appraisal		
Chapter 29	Valuation of Partial Interests		
Chapter 30	Valuation for Financial Reporting		
Appendix A	Professional Practice and Law	Appendix A	Professional Practice
Appendix B	Financial Formulas	Appendix B	Mathematics and Statistics in Appraising
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Summary of Changes Between the 2nd and 3rd Canadian Editions of *The Appraisal of Real Estate*

Chapter 1: Real Property and Its Appraisal

- Updates reflecting current standards on appraisal, appraisal consulting, and real property consulting

Chapter 2: The Nature of Value

- Revisited discussion of history of value theory as introduction to chapter
- Addition of sections on
 - business value
 - fair value
 - public interest value
 - insurable value

Chapter 3: Foundations of Appraisal

- Updated historical narrative

Chapter 4: Real Estate Markets

- Split off from Chapter 6: Real Estate Markets, Money Markets, and Capital Markets

Chapter 5: The Money and Capital Markets

- Split off from Chapter 6: Real Estate Markets, Money Markets, and Capital Markets
- Historical narrative updated to reflect the current regulatory environment and recent market activity (in Canada and internationally, global economic downturn, subprime lending crisis in USA, etc.)

Chapter 6: Real Property Ownership and Interests

- Reorganization of Chapter 5: Real Property Ownership and Interests – introduce types of property interests (lease, mortgage and equity, etc.) before forms of ownership (partnerships, syndications, etc.)
- See also Chapter 29 for valuation techniques related to specific partial interest assignments

Chapter 7: The Valuation Process

- CUSPAP updates since 2002, plus reflecting International Valuation Standards (IVS) inclusion

Chapter 8: Data Collection

- Added discussion of data standards and real estate transaction standards
- Updated data sources, with an emphasis on the Internet

Chapter 9: Market and Marketability Analysis

- Updated to incorporate illustrations and terminology from second edition of Market Analysis for Real Estate textbook

Chapter 10: Land and Site Analysis

- Updated data sources, with an emphasis on the Internet
- Updated discussion of environmental contamination and hazardous substances

Chapter 11: Improvement Analysis

- Added discussions of 1) mould and sick building syndrome and 2) green building and sustainability

Chapter 12: Highest and Best Use Analysis

- Reorganized, particularly the discussion of testing highest and best use as improved to focus on the three scenarios: 1) retain existing improvements, 2) modify the existing improvements, or 3) raze and redevelop the site

New order of chapters covering the approaches to value:

2nd edition

13-16: site valuation and cost approach

17-19: direct comparison approach

20-24: income approach

3rd edition

13-15: direct comparison approach

16-19: site valuation and cost approach

20-24: income approach

Chapter 13: The Direct Comparison Approach

- New discussion of highest and best use and market analysis in relation to appraisal principles section
- New discussion of inbreeding of data
- Introduction of idea of first five elements of comparison as “transactional adjustments” and the latter five as “property adjustments”

Chapter 14: Comparative Analysis

- Incorporate all examples of adjusting for individual elements of comparison from Chapter 18: Adjustment and Analytical Techniques in the Direct Comparison Approach from 2nd edition
- Addition of discussion of adjusting for concessions
- Addition of financial calculator keystrokes in examples where appropriate (in Appendix)
- Addition of bracketing illustrations in examples
- Adjusted numbers in examples to reflect realistic current sale prices and rates

Chapter 15: Applications of the Direct Comparison Approach

- Updated case studies from Chapter 19: Applications of the Direct Comparison Approach of 2nd edition

Chapter 16: Land and Site Valuation

- Refinement of discussion of applicability and limitations of various land valuation techniques
- Significant revision of subdivision analysis discussion and example to show DCF analysis with and without entrepreneurial incentive included as a line item

Chapter 17: The Cost Approach

- Teachings of the cost approach have changed over the past decade to emphasize methods that yield reliable market value conclusions. Significant refinement of discussion of cost concepts for clarity and consistency with the current body of knowledge

Chapter 18: Building Cost Estimates

- General updates and revisions

Chapter 19: Depreciation Estimates

- Refinement of applicability and limitations of methods for estimating depreciation
- Reversion to “economic” age-life method
- New illustrations showing typical patterns of depreciation change over time
- Significant revision of expression of depreciation concepts

Chapter 20: The Income Approach

- Many definitions revised for consistency with current body of knowledge.

Chapter 21: Income and Expense Analysis

- Rewriting for clarity and consistency
- Revised sidebar discussion of types of leases (net, etc.), reducing the types to 1) gross lease, 2) modified gross lease, and 3) net lease
- Adjusted figures in many examples to realistic current numbers

Chapter 22: Direct Capitalization

- Adjusted figures in many examples to realistic current numbers

Chapter 23: Yield Capitalization--Theory and Basic Applications

- Added discussion of difference between *projection period* and *holding period*
- Added discussion of level-equivalent income in property models section
- Adjusted figures in many examples to realistic current numbers

Chapter 24: Discounted Cash Flow Analysis and Special Applications in Income Capitalization

- Replaced office building example with an adaptation of office/retail example
- Adjusted figures in many examples to realistic current numbers

Chapter 25: Reconciling Value Indications

- Added and deleted individual “questions asked” in reconciliation

Chapter 26: The Appraisal Report

- Standards discussion and illustration updated
- Reordered discussion as 1) oral reports and then 2) written reports (form and then narrative reports)
- Discussion of outline of narrative reports revised, particularly in Part Two--Identification of the Appraisal Problem and Scope of Work

Chapter 27: Appraisal Review and Appraisal Consulting

- Adapted from portions of Chapter 27: Appraisal Specialties of 2nd edition

Chapter 28: Statistics in Appraisal

- New material based on Appendix B: Mathematics and Statistics of 2nd edition, updated to reflect changing body of knowledge

Chapter 29: Valuation of Partial Interests

- Separated discussion of valuation techniques and issues from Chapter 5: Real Property Ownership and Interests of 2nd edition

Chapter 30: Valuation for Financial Reporting

- New material, reflecting International Valuation Standards and related CUSPAP provisions

Appendix A: Professional Practice and Law

- Updated to reflect current standards and legislation in Canada
- Added discussion of International Valuation Standards

Bibliography

- Updated to reflect recent valuation-related readings and references