

# Oregon Property Appraiser Practice Exam (Sample)

## Study Guide



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## **Questions**

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- 1. In what way can appraisal reviews contribute to the real estate market?**
  - A. By creating more listing opportunities**
  - B. By ensuring trust and reliability in property transactions**
  - C. By decreasing the need for appraisals**
  - D. By increasing competition among appraisers**
- 2. Why is establishing a "value estimate" important in an appraisal report?**
  - A. To set a minimum price for the property**
  - B. To provide an unqualified assessment of market trends**
  - C. To offer a quantified assessment of property worth**
  - D. To ensure compliance with state appraisal laws**
- 3. Which of the following Basic Property Class Codes refers to industrial properties?**
  - A. Industrial**
  - B. Multi-Family**
  - C. Recreation**
  - D. Farm**
- 4. How is the Change Property Ratio (CPR) calculated?**
  - A. Average RMV of all unchanged properties divided by average MAV**
  - B. Average MAV of all unchanged properties divided by average RMV**
  - C. Total property value divided by number of properties**
  - D. Average RMV of all properties divided by the total number of properties**
- 5. How do appraisers use comparable sales?**
  - A. By ignoring differences to find an average price**
  - B. By adjusting Comparable sales prices based on various factors**
  - C. By calculating the cost of construction for a similar property**
  - D. By only using properties sold in the last year**

- 6. Which method is considered the most direct way of estimating property value?**
- A. Income approach**
  - B. Cost approach**
  - C. Sales comparison approach**
  - D. Market trend analysis**
- 7. Which type of levy directly contributes to the total tax rate?**
- A. Administrative fees**
  - B. Cultural heritage levies**
  - C. Bond levies**
  - D. Property maintenance fees**
- 8. What is an eminent domain?**
- A. The right to take private property for public use**
  - B. Property tax exemption for certain individuals**
  - C. Approval process for property development**
  - D. Legal requirement for property assessment**
- 9. What is the primary focus of property assemblage?**
- A. To increase the sale price of individual parcels**
  - B. To combine parcels to create greater utility**
  - C. To divide properties for better management**
  - D. To estimate the property tax rate**
- 10. What is the implication of regression in property valuation?**
- A. Enhanced property value**
  - B. Detrimental effect on superior property value**
  - C. Neutral property value**
  - D. Increased market demand**

## **Answers**

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1. B
2. C
3. A
4. B
5. B
6. C
7. C
8. A
9. B
10. B

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## **Explanations**

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**1. In what way can appraisal reviews contribute to the real estate market?**

- A. By creating more listing opportunities**
- B. By ensuring trust and reliability in property transactions**
- C. By decreasing the need for appraisals**
- D. By increasing competition among appraisers**

Appraisal reviews play a significant role in enhancing trust and reliability in property transactions. An appraisal review is a critical evaluation of an existing appraisal to ensure its accuracy, compliance with regulations, and adherence to generally accepted appraisal practices. When the quality and reliability of appraisals are upheld through rigorous reviews, stakeholders such as buyers, sellers, lenders, and real estate professionals can have greater confidence in the property valuation process. This trust is essential in fostering a stable real estate market because it reduces the risks associated with property transactions, aligns expectations between parties, and minimizes disputes over property values. Moreover, a trustworthy appraisal process encourages participation in the market, which can lead to increased activity and smooth transactions. When buyers and sellers believe in the legitimacy of appraisals, they are more likely to engage in transactions, thus contributing positively to the market's overall health.

**2. Why is establishing a "value estimate" important in an appraisal report?**

- A. To set a minimum price for the property**
- B. To provide an unqualified assessment of market trends**
- C. To offer a quantified assessment of property worth**
- D. To ensure compliance with state appraisal laws**

Establishing a "value estimate" is crucial in an appraisal report because it provides a quantified assessment of the property's worth. This estimate serves as a central piece of information that helps various stakeholders, such as buyers, sellers, lenders, and investors, make informed decisions regarding the real estate transaction. A well-supported value estimate reflects the fair market value of the property based on thorough analysis, including comparable sales, property condition, and location factors. This assessment helps in understanding the property's place within the current market context, guiding negotiations and financing decisions. A clear, quantified estimate also serves to decrease the ambiguity that can arise in property transactions, making it clear for all parties involved what the property is realistically worth based on prevailing market conditions. Although other aspects of an appraisal may touch on compliance or trends, the primary function of establishing a value estimate is to inform all parties of the property's actual monetary value.

**3. Which of the following Basic Property Class Codes refers to industrial properties?**

- A. Industrial**
- B. Multi-Family**
- C. Recreation**
- D. Farm**

The Basic Property Class Code that refers to industrial properties is indeed labeled as Industrial. This classification encompasses various types of properties specifically used for the manufacturing, production, and distribution of goods. Industrial properties can include factories, warehouses, and distribution centers, playing a crucial role in commerce and supply chains. This classification is essential for property appraisers because it allows for accurate assessment and valuation based on the unique characteristics and market dynamics associated with industrial properties. Each property class code serves to categorize properties by their primary use, which helps in zoning, taxation, and determining the appropriate appraisal methods for different types of real estate. Recognizing industrial properties distinctly helps stakeholders understand their value in the economic landscape, which is reflective in the assessment practices employed by property appraisers in Oregon.

**4. How is the Change Property Ratio (CPR) calculated?**

- A. Average RMV of all unchanged properties divided by average MAV**
- B. Average MAV of all unchanged properties divided by average RMV**
- C. Total property value divided by number of properties**
- D. Average RMV of all properties divided by the total number of properties**

The Change Property Ratio (CPR) is calculated by taking the average Market Adjustment Value (MAV) of all unchanged properties and dividing it by the average Real Market Value (RMV) of those same properties. This calculation helps determine how much adjustment should be made to property values, reflecting changes in the market or property assessments. By using the values of properties that remain unchanged, the CPR aims to provide a stable basis for valuation adjustments without the volatility that may be present in properties that have recently changed hands or undergone significant improvements. The average MAV represents the assessed value of properties which have not experienced any changes, making it a reliable figure to base comparisons on, while the average RMV reflects the current market conditions. This ratio ultimately provides insight into the relationship between the assessed values and the market values, which is essential for accurate property appraisal in Oregon.

## 5. How do appraisers use comparable sales?

- A. By ignoring differences to find an average price
- B. By adjusting Comparable sales prices based on various factors**
- C. By calculating the cost of construction for a similar property
- D. By only using properties sold in the last year

Appraisers utilize comparable sales primarily through the method of adjusting sale prices of similar properties based on various factors to reach a more accurate valuation. This approach involves analyzing properties that have recently sold in the same market area as the subject property and making necessary adjustments for differences in characteristics such as square footage, age, location, amenities, and condition. By making these adjustments, appraisers can account for variations that may impact the market value, thereby ensuring that comparisons are more reflective of what the subject property is worth. This method allows for a more nuanced and precise valuation, as it incorporates specifics of the subject property and the market dynamics present at the time of sale. In this context, the other options do not accurately reflect the common practices of appraising. Ignoring differences would lead to inaccurate assessments, calculating construction costs does not factor in current market conditions, and focusing solely on sales from the last year may overlook valuable data from other time frames that could influence current market trends.

## 6. Which method is considered the most direct way of estimating property value?

- A. Income approach
- B. Cost approach
- C. Sales comparison approach**
- D. Market trend analysis

The sales comparison approach is regarded as the most direct way of estimating property value because it relies on the principle of substitution, which posits that a buyer will not pay more for a property than the cost of acquiring a similar property with equal utility. This method involves comparing the subject property to recently sold properties that are similar in characteristics, such as location, size, and amenities. By analyzing these comparable sales, appraisers can derive a value range that accurately reflects the current market conditions. Using recent sales data provides a real-world perspective on what buyers are actually willing to pay, making this approach particularly reflective of current market dynamics. It effectively captures the essence of supply and demand as seen in the local market, offering a straightforward and practical valuation method. Because it relies on tangible, market-based evidence, the sales comparison approach is often seen as the most reliable and direct way to estimate the market value of a property. Other methods like the income approach or cost approach may incorporate varying elements that can complicate the estimation process, as they factor in aspects like expected income or replacement cost, respectively, rather than a straightforward comparison to actual sales in the market.

## 7. Which type of levy directly contributes to the total tax rate?

- A. Administrative fees
- B. Cultural heritage levies
- C. Bond levies**
- D. Property maintenance fees

Bond levies directly contribute to the total tax rate because they are specifically designed to fund the repayment of debt incurred by municipalities for various capital projects, including school buildings, infrastructure improvements, and public facilities. When a bond levy is approved by voters, it establishes a specific tax rate to generate the necessary revenue to service that debt. As a result, the tax rate is adjusted to include this levy, directly impacting the overall property tax rate that property owners will pay. On the other hand, administrative fees, cultural heritage levies, and property maintenance fees do not directly contribute to the total tax rate in the same way. Administrative fees are often charges for specific services and do not factor into the overall tax rates. Cultural heritage levies may fund specific programs or initiatives but generally do not alter the standard tax rates directly applicable to property taxes. Property maintenance fees are more related to specific assessments for the upkeep of properties and can be seen as separate from the overall property tax equation. Therefore, bond levies are the most direct influence on total tax rates due to their nature of financing public debt through taxation.

## 8. What is an eminent domain?

- A. The right to take private property for public use**
- B. Property tax exemption for certain individuals
- C. Approval process for property development
- D. Legal requirement for property assessment

An eminent domain refers to the government's authority to take private property for public use, provided that the owner is compensated fairly. This power is rooted in the necessity to serve the public good, such as building infrastructure like highways, parks, schools, or public utilities. Eminent domain ensures that individual property rights are respected while also allowing for the development of essential community resources. The concept revolves around balancing private property rights with the needs of society, making it a critical aspect of property law and government function. The requirement for just compensation is vital to protect property owners from arbitrary seizure of their land and ensures that the process remains fair and equitable. Thus, the definition aligned with the concept of eminent domain is the right to take private property for public use, distinguishing it from other options related to property tax exemptions, development approvals, or assessment requirements, which focus on different aspects of property management and governance.

**9. What is the primary focus of property assemblage?**

- A. To increase the sale price of individual parcels
- B. To combine parcels to create greater utility**
- C. To divide properties for better management
- D. To estimate the property tax rate

The primary focus of property assemblage is to combine parcels to create greater utility. This process involves merging adjacent properties to enhance their overall value and functionality. By amalgamating smaller lots into a larger parcel, property owners can create opportunities for more significant development, optimize land use, and increase the economic potential of the combined property. Through assemblage, the resulting larger parcel can be used for more efficient urban planning, enhanced commercial use, or increased residential density, leading to advantages that individual parcels might not offer on their own. This aligns with the concept of highest and best use in real estate, as the combined properties often yield higher returns and more opportunities than when evaluated separately. The other options, while related to property management and financial outcomes, do not capture the core intention of property assemblage, which is centered around maximizing the utility and potential of land through consolidation rather than individual pricing strategies, property division, or tax estimation.

**10. What is the implication of regression in property valuation?**

- A. Enhanced property value
- B. Detrimental effect on superior property value**
- C. Neutral property value
- D. Increased market demand

Regression in property valuation refers to the principle that the value of a property may be adversely affected by the presence of less valuable properties nearby. This concept highlights how a higher-quality property can see its value diminished when surrounded by properties of inferior quality, as buyers generally factor in the overall neighborhood desirability when making purchasing decisions. In this context, option B accurately captures the essence of the regression principle. When more valuable properties are situated in areas that include inferior properties, the overall market perception and value of the superior properties can decline. Buyers often seek neighborhoods with a certain standard of quality, and the presence of lower-value properties can detract from that perceived quality, leading to a decrease in market value for superior properties. The alternative options do not align with the principle of regression. Enhanced property value would suggest that the superior property benefits from its surroundings, which contradicts the regression theory. Neutral property value implies no change due to the surrounding properties, which overlooks the significant impact that inferior properties can have on a more valuable one in the same area. Increased market demand suggests a positive influence on property value that also does not consider how the presence of lower-value properties may discourage potential buyers from pursuing more valuable options in that vicinity.