

Texas Real Estate Appraisal Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

- 1. What is the other name for the cost service index method used to find the reproduction cost of a structure?**
 - A. Index**
 - B. Quantity survey**
 - C. Square-foot**
 - D. Unit-in-place**
- 2. What is Rhonda measuring when she examines how much longer a building can be expected to remain standing?**
 - A. Economic life**
 - B. Effective age**
 - C. Physical life**
 - D. Remaining economic life**
- 3. The annuity factors table aids in determining which of the following for an investor?**
 - A. The current depreciated value of the property**
 - B. The depreciation rate of the property**
 - C. The future value of the investment**
 - D. The present value of the investment**
- 4. What creates a sandwich lease in real estate?**
 - A. A lessee sublets the property**
 - B. A lessor and lessee sign the lease on different dates**
 - C. A lessor rents property to a restaurant**
 - D. The parties sign a month-to-month lease**
- 5. What is the correct order of the first two steps in the appraisal process?**
 - A. Identify the data needed, then gather and analyze data.**
 - B. State the problem, then gather and analyze data.**
 - C. State the problem, then identify the data needed.**
 - D. Identify the data needed, then state the problem.**

6. Houses should be built a minimum of _____ feet away from existing, mature trees.
- A. 10
 - B. 12
 - C. 20
 - D. Six
7. When property values increase in a newly developed area, what stage of the life cycle is the neighborhood in?
- A. Decline
 - B. Equilibrium
 - C. Growth
 - D. Rejuvenation
8. If a hallway measures 18' x 6', how much flooring is necessary to replace it?
- A. 108 square feet
 - B. 72 square feet
 - C. 90 square feet
 - D. 60 square feet
9. Which type of legal description is this: "Plat of Block 28, Woodmen Heights Tract, recorded in Map Book 27, page 68, at the Eldor County Records Office"?
- A. Benchmark
 - B. Lot and block
 - C. Metes and bounds
 - D. Rectangular government survey
10. An appraiser can ensure that values for operating expenses and net income are valid by comparing them with similar properties. What tool can she use?
- A. The breakeven ratio
 - B. The effective income ratio
 - C. The operating expense ratio
 - D. The net income ratio

Answers

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

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Explanations

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1. What is the other name for the cost service index method used to find the reproduction cost of a structure?

A. Index

B. Quantity survey

C. Square-foot

D. Unit-in-place

The cost service index method, used to determine the reproduction cost of a structure, is often referred to as the "index" method. This technique involves using cost indexes that reflect the changes in construction costs over time and are indexed to a specific geographical area or type of construction. The index method relies on historical data to adjust the cost of construction based on current market conditions, allowing appraisers to estimate the cost of reproducing a building as if it were constructed today. The process helps in accounting for inflation and localized cost variations in materials and labor. The other terms listed, such as quantity survey, square-foot, and unit-in-place, represent other methods or approaches used in estimating construction costs. The quantity survey method involves a detailed breakdown of all quantities and costs associated with the construction, while the square-foot method estimates costs based on the total area of the structure. The unit-in-place method calculates costs based on the price of specific components or units of construction. However, none of these directly refer to the index method, which specifically utilizes cost service indexes.

2. What is Rhonda measuring when she examines how much longer a building can be expected to remain standing?

A. Economic life

B. Effective age

C. Physical life

D. Remaining economic life

When Rhonda examines how much longer a building can be expected to remain standing, she is focusing on the concept of physical life. Physical life refers to the duration of time that a structure can physically exist, considering its construction quality, materials used, and the effects of environmental factors over time. It is concerned with the tangible aspects of the building, such as wear and tear, but does not take into account the economic implications or market conditions. In this context, understanding the physical life is essential for appraisers and real estate professionals because it helps assess the longevity and durability of a property, which can affect its overall value. Remaining economic life, on the other hand, pertains to the time a property can generate income or be economically viable before it needs significant repairs or renovations, while effective age considers the condition of the property in relation to its chronological age. Economic life specifically addresses the period during which the property is profitable and does not directly relate to how long the building itself can stand.

3. The annuity factors table aids in determining which of the following for an investor?

- A. The current depreciated value of the property**
- B. The depreciation rate of the property**
- C. The future value of the investment**
- D. The present value of the investment**

The annuity factors table is a crucial tool in finance that assists investors in determining the present value of an investment. It provides a method to calculate how much a series of future cash flows is worth in today's dollars, allowing investors to assess the value of their potential income stream over time. This is particularly beneficial for investors looking to evaluate the worth of an income-producing property or investment by discounting expected future cash flows back to the present using a specific interest rate. By applying the appropriate annuity factor, investors can measure how much those expected future payments are worth currently, which is essential for making informed investment decisions. Other options do not align with the purpose of the annuity factors table. The table does not determine the current depreciated value of the property or the depreciation rate, as those concepts rely on different appraisal methodologies and calculations. It also does not calculate the future value of an investment, which involves projecting future cash flows rather than discounting them. Therefore, the use of the annuity factors table directly relates to assessing the present value of an investment, making it a vital component of an investor's financial analysis toolkit.

4. What creates a sandwich lease in real estate?

- A. A lessee sublets the property**
- B. A lessor and lessee sign the lease on different dates**
- C. A lessor rents property to a restaurant**
- D. The parties sign a month-to-month lease**

A sandwich lease occurs when a lessee, also known as a tenant, sublets the property to another party while still holding onto the original lease with the lessor, or landlord. This arrangement effectively creates an additional layer of leasing within the context of the original lease. In this scenario, the original lessee becomes a lessor to the sublessee, resulting in a "sandwich" situation where the original lease sits between the lessee and the sublessee. For example, if a tenant leases a space and then rents it out to another party, the original tenant retains the obligations of the lease with the landlord while also creating a new lease agreement with the subtenant. This layered structure can benefit all parties involved, as the original tenant may earn income from the sublease while still complying with the terms set forth in the main lease. The other options do not accurately describe a sandwich lease. Signing a lease on different dates does not inherently create a sandwich lease; it merely indicates the timing of agreements. Renting property specifically to a restaurant does not change the fundamental leasing structure or create a sandwich scenario. A month-to-month lease is simply a type of agreement related to the duration of the lease rather than the layering of lessees and lessors.

5. What is the correct order of the first two steps in the appraisal process?

- A. Identify the data needed, then gather and analyze data.**
- B. State the problem, then gather and analyze data.**
- C. State the problem, then identify the data needed.**
- D. Identify the data needed, then state the problem.**

The correct order of the first two steps in the appraisal process begins with stating the problem, followed by identifying the data needed. Stating the problem is crucial as it establishes the purpose of the appraisal and delineates the scope of work that the appraiser will undertake. It involves clearly defining what needs to be appraised, the intended use of the appraisal, and any specific requirements that must be met. Once the problem is articulated, the next step is to identify the data needed to address that problem. This involves determining what information will be necessary to conduct a credible appraisal, assessing the type of property being evaluated, and understanding the relevant factors that will influence its value. By following this sequence—first clarifying the problem and then pinpointing the data required—a structured approach to appraisal is ensured, which ultimately contributes to a more accurate and reliable valuation outcome.

6. Houses should be built a minimum of _____ feet away from existing, mature trees.

- A. 10**
- B. 12**
- C. 20**
- D. Six**

The correct answer is 20 feet. This distance is significant as it takes into account the health of the tree as well as the structural integrity of the house. When houses are built too close to mature trees, roots can disrupt the foundation of the building, leading to potential structural issues. Additionally, the proximity can cause damage to the tree itself, which might struggle for nutrients and space if its roots are constricted. A distance of 20 feet is generally recommended to ensure that there is enough space for both the tree to thrive and for the home to be safe from potential risks posed by the trees, such as falling branches or root encroachment. This approach not only helps in maintaining healthy landscaping but also mitigates issues related to property damage and maintenance costs.

7. When property values increase in a newly developed area, what stage of the life cycle is the neighborhood in?

A. Decline

B. Equilibrium

C. Growth

D. Rejuvenation

In the context of neighborhood development and property value trends, when property values increase in a newly developed area, this clearly indicates that the neighborhood is in the growth stage of its life cycle. During this phase, there is an influx of new construction, renovations, and investments that attract residents and businesses, which all contribute to increasing demand for properties. As values rise, it reflects the desirability of the area, often because of improved amenities, infrastructure, or a favorable economic climate. The growth stage is characterized by heightened interest in home purchases, which drives up prices, benefiting existing homeowners and stimulating further development. This contrasts with the other stages of the life cycle. For example, in a decline stage, property values would typically be decreasing due to factors like disinvestment, decreased demand, or deterioration of the neighborhood. In the equilibrium stage, property values are stable, reflecting a balance between supply and demand, and do not show the rising trends seen in growth. Finally, during rejuvenation, there may be efforts to revitalize or redevelop an area, but this stage usually comes after a period of decline, focusing on improving property values rather than the initial surge that signifies growth.

8. If a hallway measures 18' x 6', how much flooring is necessary to replace it?

A. 108 square feet

B. 72 square feet

C. 90 square feet

D. 60 square feet

To determine how much flooring is necessary to replace an 18' x 6' hallway, you need to calculate the area. The area can be found using the formula for the area of a rectangle, which is length multiplied by width. In this case, the length of the hallway is 18 feet and the width is 6 feet. Therefore, the area can be calculated as follows: $\text{Area} = \text{Length} \times \text{Width}$ $\text{Area} = 18 \text{ feet} \times 6 \text{ feet}$ $\text{Area} = 108 \text{ square feet}$ Thus, the correct amount of flooring required to cover the hallway is 108 square feet. This measurement accounts for the entire surface of the hallway and is vital for ensuring that enough material is purchased for the flooring replacement.

9. Which type of legal description is this: "Plat of Block 28, Woodmen Heights Tract, recorded in Map Book 27, page 68, at the Eldor County Records Office"?

A. Benchmark

B. Lot and block

C. Metes and bounds

D. Rectangular government survey

The statement describes a "Plat of Block 28, Woodmen Heights Tract, recorded in Map Book 27, page 68, at the Eldor County Records Office," which indicates a lot and block system of legal description. This system is commonly used in urban and suburban areas where subdivisions have been mapped out and recorded in public records. In this context, the term "Plat" refers to a map that provides a layout of a subdivision or development. The use of "Block" and the specific reference to a recorded map book and page number are indicators that this is indeed a lot and block legal description. This method relies on a recorded plat to define the boundaries of the lot or block in relation to other surveyed parcels. The other types of legal descriptions mentioned have distinct characteristics that differentiate them from the lot and block description. A benchmark refers to a point of known elevation, metes and bounds uses physical landmarks and measurements to define property boundaries, while the rectangular government survey divides land into townships and ranges based on a grid system. None of these systems incorporate the specific referencing to a recorded subdivision map like the lot and block method does, making the latter the correct choice.

10. An appraiser can ensure that values for operating expenses and net income are valid by comparing them with similar properties. What tool can she use?

A. The breakeven ratio

B. The effective income ratio

C. The operating expense ratio

D. The net income ratio

The correct answer is the operating expense ratio, which is a valuable analytical tool used by appraisers to evaluate the efficiency of a property in terms of its operating expenses relative to its income. This ratio is calculated by dividing the total operating expenses of a property by its effective gross income. By examining the operating expense ratio for similar properties, the appraiser can gauge whether a particular property is operating efficiently and how its expenses compare to industry norms. If the operating expense ratio is significantly higher or lower than that of comparable properties, it could indicate potential issues or advantages that may affect the overall value of the property. Utilizing this ratio allows appraisers to ensure that the values derived from operating expenses and net income are realistic and grounded in market data, enhancing the accuracy of their assessments. This not only aids in validating a property's operational performance but also assists in making more informed decisions regarding property valuation and investment potential.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://texasrealestateappraisal.examzify.com>

We wish you the very best on your exam journey. You've got this!