Unit 3 Outline

**Learning Objectives**

Study of this unit should enable the student to

* state what an appraisal is;
* identify the components of real estate;
* list the considerations in determining whether an item is a fixture;
* distinguish between public and private restrictions on land use;
* explain the methods that are used to create a legal description of land;
* define the types of freehold estate;
* define the types of nonfreehold estate;
* explain other interests in real estate, such as the easement and license; and
* distinguish the various forms of real estate co-ownership.

**Unit Outline**

I. Overview

II. Basic Concepts

A. What Is a Real Estate Appraisal? The act or process of developing an opinion of value

B. Real Estate and Real Property—real estate is the land itself and all things permanently attached to it

1. Land

a. Mineral rights

b. Water rights

c. Air rights

d. Land that is improved becomes a site

2. Fixtures—anything affixed to land—there are five tests for determining whether something is a fixture, remembered by MARIA:

a. Method of attachment

b. Adaptability of item for the land’s ordinary use

c. Relationship of the parties

d. Intention of the person placing the item on the land

e. Agreement of the parties

3. Trade fixtures—items owned and attached to a rented space or building by a tenant

4. Bundle of rights—the rights of ownership of real property

5. Public restrictions—imposed by the government

a. Taxation

b. Eminent domain

c. Escheat

d. Police power

6. Private restrictions, such as CC&Rs

C. Personal Property—tangible items not permanently attached to real estate

## Exercise 3-1

III. Legal Descriptions of Land

A. Lot and Block System—also called lot, block, and tract system and subdivision system—uses subdivision map and is used to describe most residential and commercial property

**Figure 3.1**

B. Metes and Bounds System—defines the perimeter of a parcel of land

1. Point of beginning—start of description

2. Bounds—natural or artificial boundaries

3. Metes—measured distances

4. Monuments (markers) may also be used

**Figure 3.2**

C. Rectangular Survey System—also called section and township system and U.S. government survey system—useful for large tracts of rural property

1. Townships—divided into 36 sections

2. Base lines—run east to west

3. Principal meridians—run north to south

4. Township lines or tiers

5. Range lines

6. Sections of one mile square, 640 acres each

**Figure 3.3**

**Figure 3.4**

**Figure 3.5**

## Exercise 3-2

IV. Legal Rights and Interests

A. Freehold Estates—ownership is for an indeterminable duration

1. Fee simple estate—the highest or most complete form of ownership

a. Fee simple absolute

b. Fee simple qualified

c. Fee simple defeasible

2. Life estate—an estate in land that is limited to the life of the owner or some other designated person

B. Nonfreehold Estates—tenant's right to occupy the land for the duration of the lease

1. Leasehold estate—tenant's interest and rights in the property

2. Leased fee estate—interest retained by the landlord

**Exercise 3-3**

C. Other Interests

1. Easement—interest conveying limited right of use

**Figure 3.6**

**Figure 3.7**

2. License—permission for a temporary use of land

3. Encroachment—extension of some improvement across the boundary of an adjoining parcel of land

V. Forms of Property Ownership

A. Individual Ownership—ownership by only one person (also called separate ownership or ownership in severalty)

B. Co-Ownership—ownership by more than one person (also called concurrent ownership)

1. Tenancy in common (TIC)—unity of possession

**Figure 3.8**

2. Joint tenancy—unities of time, title, interest, and possession

**Figure 3.9**

**Figure 3.10**

3. Marital property

a. Community property

b. Tenancy by the entirety

4. Tenancy in partnership

**Exercise 3-4**

C. Business and Trust Ownership of Real Estate

1. Corporation

2. Limited liability company

3. Trust

D. Special Forms of Ownership

1. Condominium

2. Cooperative

3. Planned unit development (PUD)

## Exercise 3-5

## Summary

# Review Questions