



NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF THE BUILT ENVIRONMENT

DEPARTMENT OF LANDSCAPE ARCHITECTURE AND URBAN DESIGN

BSC PROPERTY DEVELOPMENT AND ESTATE MANAGEMENT

PROPERTY VALUATION II

BLP 2201

Main Examination Paper

July 2016

This examination paper consists of 4 pages

Time Allowed: 3 hours

Total Marks: 100

Special Requirements: None

Examiner's Name: Mr A Chigwenya

INSTRUCTIONS

1. Answer any three (3) questions from Section A. Section B is compulsory.
2. Where required give examples and draw illustrations and diagrams
3. Where valuations tables are required use the formulas.

MARK ALLOCATION

QUESTION	MARKS
1.	20
2.	20
3.	20
4.	20
5.	20
6.	40

Copyright: National University of Science and Technology, 2016

SECTION A

Question 1

N. Richards Group of Companies holds a lease for its supermarket in Zvishavane. The lease is for five years at a monthly net rent of US\$10000.00. The lease has run for two years now. The open market rental is estimated to be \$15 000.00. Give your client MrGaba who wishes to buy N.Richards's lease the value of the lease. [20]

Question 2

ABC properties borrowed US\$ 250 000.00 at an interest rate of 18% from Micro Finance Pvt.Ltd. The loan should be paid in 5 years.

- i) If ABC set aside US\$5000 at the end of each year at an interest of 12% per annum, will they manage to repay the loan? (10)
- ii) If not, how much is needed to be set aside every year in order to cover the loan?(10)

[20]

Question 3

A shopping complex at Mbokodo Shopping centre has four wings. The shopping complex is let out in wings without sub divisions. The Rentals for the four wings are as follows:

Wing 1: \$20 000.00 per month

Wing 2: \$15 000.00 per month

Wing 3: \$45000.00 per month

Wing 4: \$50 000.00 per month

The four leases are running concurrently for 5 years. The open market rental values of the four wings are as follows:

Wing 1: \$25 000.00

Wing 2; \$20 000.00

Wing 3: \$50 000.00

Wing 4: \$50 000.00

The rents are net monthly rental because the tenant pays for all other expenses except the agents fees. Agent's fees are 5%

The owner of the shopping complex has approached you to value the shopping complex. Value it assuming the expected return is 9% and the leases had only run for one year.

[20]

Question 4

Your client wants to diversify his business and has two investment options. There is a commercial shop and an agricultural option. Advise him on the best investment option.
[20]

Question 5

You have been approached by an entrepreneur who is running a petrol filling station for valuation services. Give a detailed account of how you will go about the valuation process.

[20]

SECTION B

Question 6

- a) Outline the details of the residual method of valuation. (15)
- b) You are approached by a developer for advice on how much he should pay for a piece of land in the central business district of Bulawayo city. He wishes to develop a commercial complex. Use the residual method to value the piece of land that the developer wants to utilise.

You can use the following data that had been collected:

The costs of construction are as follows:

- i) Shop area should be 4500 m² @ \$500/m²
- ii) Offices area should be 100m² @\$ 250 /m²

Security services cost \$1000.00per month

Demolition cost are estimated to be \$5000.00

Rates for construction of shop area are estimated to be\$2500m²

Repairs cost \$300.00 per month

The investor is expecting a return of 11%

Rates for construction of offices are estimated to be \$2000/m²

Rental rates are open market rates

Costs increase @5%

Architect's fees 6%

Quantity surveyors fees 2.5%

Engineer's fees 3%

Project managers 2.5%

Developer's profits are estimated to be 10%

Cost of finance 12%

Cost of air conditions \$15 000

Lifts \$50000

Carpets\$ 250000

Agents fees 5% of annual rents

The open market rentals for offices are \$ 200.00 per square meter and for commercial is \$350.00/m² (25)

[40]