



**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 III**

**BLP 4101**

**MAIN EXAMINATION PAPER**

**MAY 2018**

This examination paper consists of 4 pages

**Time Allowed: 3 hours**

**Total Marks: 100**

**Special Requirements: Valuation Tables  
Calculator**

**Examiner's Name: Mrs M Ncube and Mr A Chigwenya**

**INSTRUCTIONS**

1. Answer any three (3) questions from section A. Section B is compulsory.
2. Each question carries 25 marks
3. Where required give examples and draw illustrations and diagrams

**MARK ALLOCATION**

<b>QUESTION</b>	<b>MARKS (SELECTED FOUR)</b>
1.	25
2.	25
3.	25
4.	25
5.	25
6.	25
<b>TOTAL</b>	<b>100</b>

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## SECTION A

### Question 1

Explain the following in relation to property valuation:

- i) Annual equivalency (5)
- ii) Subletting and assignments (5)
- iii) Encumbrances and unencumbered? (5)
- iv) Right of first refusal (5)
- v) What is the criticism of dual rate approach to leasehold property valuations? (5)

[25]

### Question 2

With reference to a real estate investment of your own choice, examine the factors that might affect its market rent and market value.

[25]

### Question 3

- a) Explain the limitations of leasehold valuation method (12)
- b) Discuss alternative valuations methods that can be used. (13)

[25]

#### **Question 4**

- (a) What are the difference between FRI lease and an IRI lease? (5)
- (b) National Vet (Pvt) Ltd owns a building that contains three shop units that were all let at the same time three years ago. All leases were for a period of five years at fixed rentals. Tenants are in terms of the lease agreements, responsible for internal repairs and maintenance. The monthly rents receivable from each shop and the estimated open market monthly rent for each unit are as follows:

	<u>Existing Rent</u>	<u>Market Rent</u>
Shop 1	\$1 000	\$2 000
Shop 2	\$1 500	\$3 000
Shop 3	\$ 750	\$1 500

The landlord's expenses for last year have been as follows:

Rates	\$1 500
Water	\$ 300
Insurance	\$1 500
Agents Fees	\$1 950

Advise National Vet(Pvt) Ltd on the current open market value of its property, assuming that investors would expect an 9% return on its investment, if let at full market rents. (20)

[25]

#### **Question 5**

- (a) Stanberra (Private) Limited own a factory which they lease to Donau Investments on FRI terms for six years. Four of which have expired. The rent was fixed at \$600 per month, escalating by 20% compounded per year. The current rental value is \$4 000 per month.
- (i) Value the lessor's interest.
- (ii) Value the lessee's interest.
- Use a rate of 12% (20)
- (b) Define and briefly explain annual equivalent. (5)

[25]

## **SECTION B**

### **Question 6**

Explain, contrast and critically examine internal rate of return (IRR) and net present value (NPV) for the appraisal of real estate investments and critically examine the strengths, limitations and problems of each approach. [25]