



NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF THE BUILT ENVIRONMENT

DEPARTMENT OF PROPERTY STUDIES AND URBAN DESIGN

VALUATION 3

BLP4201

Main Examination Paper

Supplementary paper August 2024

This examination paper consists of 2 pages

Time Allowed: 3 hours

Total Marks: 100

Special Requirements: Valuation Tables

Examiner's Name: Prof. A. Chigwenya

INSTRUCTIONS

- 1. Answer any four (4) questions.**
- 2. Each question carries 25 marks**

MARK ALLOCATION

QUESTION	MARKS
1.	25
2.	25
3.	25
4.	25
5	25
6	25
TOTAL	100

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Question 1

GDP Group of companies owns a shopping complex in the city centre of Bulawayo and in that complex they have the following tenants and the following rent schedule;

Tenant	Monthly rent
ABC Holding	\$9500.00
Ten Tyres	\$7000.00
Maroon Offices	\$12000.00

All the tenants have a five year lease hold of which two have already expired. You are asked to advise the owner of the shopping complex of the freehold value of the property, given that the open market rentals are \$15 000.00, the outgoings are also as follows:

- i). Rates \$1000.00
- ii). Insurance \$1500.00
- iii). Wages \$ 750.00
- iv). Repairs \$350.00.
- v) expected rate of return accepted by investors is 12%.

(25)

Question 2

- a) ALLSTARS Co. Pvt. Ltd has recently entered a lease agreement with Choppies Supermarket at an agreed rental of \$10 000 per month for 5 years. Advise the property owner of the value of the property given that the expected rate of return is 12%.

(5)

- c). In three (3) years time the property owner managed to get loan from a bank and approached you to give the freehold value, advice him of the new value of the property given that the lease has a rental increase close of 12% per annum and an expected rate of return of 10% and the open market rents are \$15000.00 per month.

(20)

Question 3

- a). P.G properties enters and agreement into a lease for ten years at an agreed rent of \$10 000.00 per month 6 years ago. The lease is on full repair and insurance exclusive of rates and taxes. The open market rent is \$20 000.00. Evaluate the value of the lease given that the expected rate of return is 12%.

(15)

- c). Prove that the invested amount set aside will recover the invested amount.

(10)

Question 4

A six year lease was entered by a company at an initial rent \$7000.00 per month three years ago. The rent is supposed to increase at 12% per annum. The tenant was supposed to pay an additional \$150.00 per month towards rate increases. Calculate the value of the lease given that the open market rent \$10000.00 and the expected rate of return is 10%. (25)

Question 5

a) Define the following terms

i). Marriage value (2^{1/2})

ii). Premium (2^{1/2})

(5)

b). DBM Properties lets a shop to ABC holdings at an agreed rent of \$5000.00 per month with a 12 % annual increase for five years. DBM requires to make some renovations to the property and requested the tenant to pay an advance of \$40 000.00. ABC holdings agreed to pay the advance payment provided his rent is adjusted accordingly. Calculate the rental that ABC should pay when they have paid the advance. (20)