



**ΠΑΜΙΒΙΑ UNIVERSITY**  
OF SCIENCE AND TECHNOLOGY

**FACULTY OF NATURAL RESOURCES AND SPATIAL SCIENCES**

**DEPARTMENT OF LAND AND PROPERTY SCIENCES**

<b>QUALIFICATION(S):</b> BACHELOR OF PROPERTY STUDIES DIPLOMA IN PROPERTY STUDIES	
<b>QUALIFICATION(S) CODE:</b> 08BPRS 06DPRS	<b>NQF LEVEL:</b> 6
<b>COURSE CODE:</b> PDM611S	<b>COURSE NAME:</b> PROPERTY DEVELOPMENT AND MARKETING
<b>EXAMS SESSION:</b> JUNE 2019	<b>PAPER:</b> THEORY
<b>DURATION:</b> 3 HOURS	<b>MARKS:</b> 100

<b>FIRST OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	SAMUEL ATO K. HAYFORD
<b>MODERATOR:</b>	UAURIKA KAHIREKE

<p style="text-align: center;"><b>INSTRUCTIONS</b></p> <ol style="list-style-type: none"><li>1. Read the entire question paper before answering the Questions.</li><li>2. Please write clearly and legibly!</li><li>3. The question paper contains a total of <b>5 questions</b>.</li><li>4. You must answer <b><u>ALL QUESTIONS</u></b> .</li><li>5. Make sure your Student Number is on the EXAMINATION BOOK(S).</li></ol>
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**PERMISSIBLE MATERIALS**

1. Non-programmable Scientific Calculator

**THIS QUESTION PAPER CONSISTS OF 7 PAGES** (Including this front page)

**Question 1**

For each of the following statements indicate whether it is 'TRUE' or 'FALSE'. Each correct answer carries 1 mark. (20)

- a) The type of involvement of local government in the development process (through planning policy towards development) will depend on whether it seeks to encourage development or control development in order to maintain standards of development.
- b) Generally planning authorities in areas of low economic activities may influence property development by imposing higher development standard in order to achieve a better balance of land use and improved design of buildings.
- c) Planning authorities in areas of higher economic activity may see their role as encouraging development activity by placing only minimal restrictions on development proposals, particularly those that will increase employment opportunities.
- d) Residential developers who focus on building owner-occupied facilities usually only require short-term development finance often over months rather than years.
- e) The amount of money Residential developers need to borrow is comparatively larger in contrast to commercial real estate developers.
- f) Private sector developers may become involved in the initial land acquisition stage. To assemble a large site from many landowners with smaller units they can use their legal powers of compulsory purchase to ensure the tenure to the land is secured.
- g) Any time delay in the process of legal investigation for acquisition of site could potentially delay commencement of work on the scheme and extend the total development period for months or years. Potential tenants are usually insensitive to this delay.
- h) When selecting a site, careful consideration should be given to soil features of a site as this can substantially impact the cost and even what can be built.

- i) Market analysis for proposed real estate development considers market area, economic trends, supply and demand indicators, market conditions, and feasibility factors. No due cognizance must be given to Institutional factors such as culture, customs and traditions, habitual ways of thinking and of doing things.
- j) With an exclusive right to sell listing, the seller employs only one agent and must pay that agent a commission regardless of whether it is the agent or the seller who finds a buyer provided the buyer is found within the listing period.
- k) Under an exclusive agency listing, the agent is given the exclusive right to represent the seller, but the seller can avoid paying the agent a commission by selling the property to someone not procured by the agent.
- l) It is the sole responsibility of the agent or salesperson to advise and assist, the seller has a very limited right in determining the listing price of the property for sale.
- m) Much as client brief is important during the design and costing phase of development process, the aim of the developer is to maximize without due consideration maximizing the development potential of the site.
- n) From the Real Estate investor's perspective, the client brief and spectacular architectural design of the proposed development is central to the success of the development project and its important cannot be underestimated.
- o) Design and costing stages typically involve contribution from all the professional team members. It is therefore the role of the Building Contractor to ensure there is fluent co-ordination between each stage of the development of when producing the design and costing.
- p) By the Accounting Rate of Return (ARR) and the Discounted Cash Flow (DCF) techniques of investment appraisal a set of decision rules which can differentiate acceptable from unacceptable alternatives is required.

- q) A person who is only involved in the negotiation of building contracts or in the arrangement of finance for property transactions by the Act is actively involved in hiring of immovable property on behalf of someone else and hence is deemed to be principal estate agent.
- r) The highest and best use of a site is not usually the most costly building or the building producing the highest net operating income.
- s) In defining a market area for a housing project a major link, for example, is place of employment as determined by the time, expense and difficulty of the journey to work.
- t) Failure to undertake market research deprives an investor the opportunity to know he is offering an inferior product and service. Even worse, the investor may be trying to ask a premium for an already outdated product.

[20]

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### Question 2

Existing building wear out or become less suitable to present use due to structural failure or economic or functional obsolescence. Eventually rebuilding becomes necessary. Briefly account for the three (3) forms by which Property Development response to such changes. Indicate the basic requirement that is common to all of them. (12)

[12]

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### Question 3

- a) Mayfield Plaza, a shopping complex in the industrial park of Omafo is to be developed with the following real estate market projections outlay;

Land acquisition	N\$ 125 000
Material & Labour	N\$ 250 000
Professional fees	N\$ 50 000

Appraisal carried out by Shilongo Valuation Consulting CC estimated that Mayfield will be sold 7 years later for N\$ 930,000. Gross Income for the first 4 years will be N\$ 100,500 per annum and for the following 4 years, N\$ 95,000 per annum. Income taxes estimated at 5% per annum were not accounted for during the projection.

You are required to determine the Accounting Rate of Return for Mayfield Plaza. (8)

b) TransNamib is contemplating of buying Madison site for N\$200 000. TransNamib intend to spends N\$250 000 by the end of the first year and N\$280 000 by the end of the second year developing an Mutual Platz office complex. At the end of the third year the property will be leased at a net rent of N\$125 000 p.a.

i) Draw up the cash flow that represents the above scenario and calculate the Net Present Value of this investment. Use a discount rate of 8% p.a. (7)

ii) What is your conclusion regarding the viability of the potential investment? (1)

c) According to Bowley, the British Building Industry, (1966), the commercial developer may be defined as “entrepreneur who provides the organisation and capital required to make buildings available in anticipation of the requirements of the market in return for profit.”

i) State the two (2) tasks required of a Property developer in recognising the potential for development. (2)

ii) Enumerate any four (4) functions a property developer. (2)

[20]

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#### Question 4

a) Primrose site could reasonably be expected to be used for any of these types of property development: Apartment building or a Retail facility. Below is detail construction and market information on the respective uses:

Types of Use	Area for Construction (sq. m)	Rental (N\$ sq. m)	Vacancy rate (%)	Credit losses (N\$)
Apartment	3500	150	3	12,000
Retail facility	12850	194	3	12,500

Operating expenses to be incurred are estimated to be 15% and 18% of the respective effective gross income for Apartment and Retail developments.

Assume a market return of 12 percent on all two buildings.

Sales of comparable properties have just been concluded for all the three types of uses in N\$ as follows:

	Apartment	Retail Facility
Sales Price	3,500,000	7,560,000
Buyer's expected Net operating Income during the first year of ownership	650,000	860,000

It is anticipated that Concession stands in the Retail developments will generate annual revenue of N\$2,400.

It has been estimated that Professional fees, cost of labour and material, cost of finance and contractors fees will respectively amount to N\$899 and N\$689 per square metre for Apartment and Retail facility.

With the above market information you are required to conduct an appraisal to determine the economic use that maximizes the value of Primrose site.

Assume lettable area is equal to area of construction (18)

- b) What are the three (3) basic factors that determines the extent to which real estate market research is considered necessary and worthwhile? (3)

[21]

**Question 5**

- a) The primary functions of the real estate brokerage industry are to match properties and customers and guide the buyer and seller through the complexities of real estate transactions. Briefly explain the process involved in real Estate Sale of a property. (10)
- b) In the context of the Estate Agents Act 1976 (Act 112) who is a Principal Estate Agent? State any six (6) functions/acts performed pertaining to immovable property. (5)
- c) Account for any three (3) legal requirements under the Estate Agent Act to be complied with by Principal Estate Agents (i.e. companies, close corporations, partnerships and sole proprietors) when acting as estate agents? (12)

**[27]**

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**All the best of luck.**