



**PAMIBIA 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 HONOURS	<b>QUALIFICATION(S) CODE:</b> 27BPRS
<b>COURSE NAME:</b> PROPERTY INVESTMENT	<b>COURSE CODE:</b> PPI820S
<b>EXAM SESSION/DATE:</b> JANUARY 2019	<b>NQF LEVEL:</b> 8
<b>DURATION:</b> 2 HOURS	<b>MARKS:</b> 100

<b>SECOND OPPORTUNITY/SUPPLEMENTARY EXAMINATION</b>	
<b>EXAMINER(S)</b>	Mr. S. Mwando
<b>MODERATOR:</b>	Dr. N. Akakandelwa

**THIS QUESTION PAPER CONSISTS OF 5 PAGES**  
(Including this front page)

1. Read the entire question paper before answering the Questions
2. Please write clearly and legibly
3. This question paper contains 4 questions.
4. You **MUST** answer **ALL FOUR QUESTIONS**.
5. Make sure your Student Number is on the EXAMINATION BOOK(s).

**PERMISSIBLE MATERIALS**

Use of non-programmable scientific calculator is permitted.

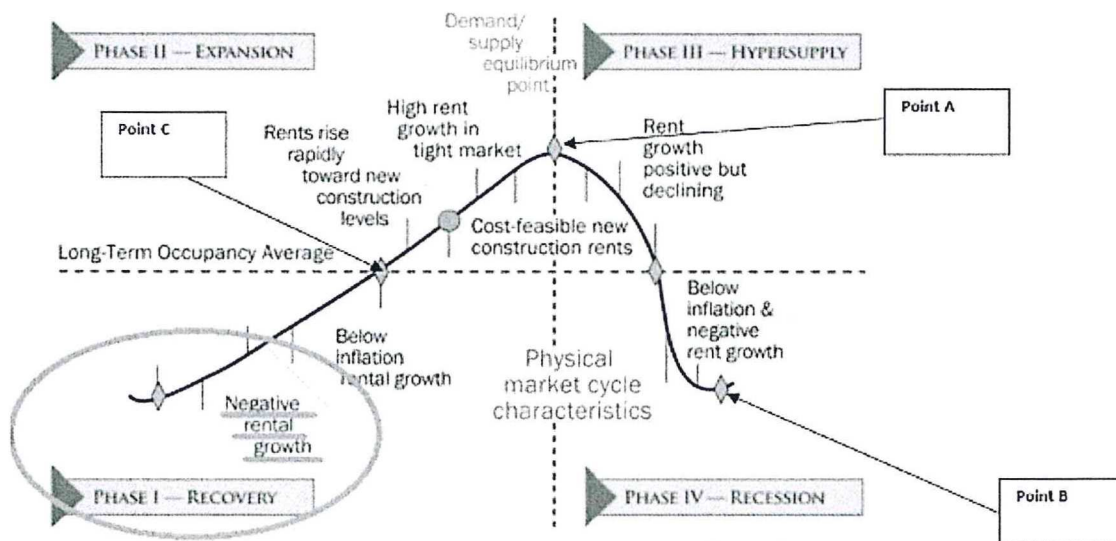
**Question 1**

- a) You are considering investing in an office complex near the Groove mall to be leased out to a blue-chip company looking to expand its operation in Namibia. The complex is valued at N\$ 3,825,000. It comprises of three separate buildings with an expected combined semi-annual net operating rent of N\$ 67,500. Because you are a cautious investor, you want to run a quick analysis on the investment. You anticipate that there is a probability that the expected half yearly rent may not be achieved. Therefore, you assign probabilities to possible future rentals as follows; 60% chance that you will achieve N\$ 67,500 half-yearly, 25% chance that you will achieve 7% less than the expected rent and 15% chance that you will achieve 7% more than the expected.
- i) Calculate the expected return,  $E(r)$ , on this investment. (7.5)
  - ii) Calculate the measure of variability about the expected return. (7.5)
- b) Stakeholders within the property market have different objectives for entering and influencing the market. The interaction of these stakeholders places constraints and restrictions on the feasibility of property investments. Discuss the four (4) stakeholders in the property market and what each of them is concerned about in achieving their respective objectives. (10)

**[25]**

**Question 2**

- a) The figure below depicts the cycles that reflects the general business cycle, relating to the changes in the returns in the property market and having an effect on investment and development activity in the market. In the property market, there are three key players, such as occupiers, investors and lenders.



Where necessary and with the use of Namibian examples, explain the behaviour of investors, lenders and developers at **Point A**. (15)

- b) Outline any six (5) qualities of a good investment. (10)

[25]

**Question 3**

- a) What is portfolio measurement? Outline four (4) key objectives of portfolio performance measurement. (10)
- b) A property portfolio management strategy requires a number of skills including devising a modern management strategy. Such a strategy is comparable to producing a “business plan like” strategy. Explain at least five (5) sub-strategies that such a management strategy for a property portfolio may contain. (10)
- c) Briefly discuss the attributes of a Real Estate Investment Trusts (REITS). (5)
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- [25]**

**Question 4**

- a) “Offshore property investment continue to be relevant, more so given concerns around local economic growth and sentiments in general, most investors continue to look for international opportunities”. Attracted by lower funding costs and high yields, much of that search for international investment opportunities has been expanded to Central Eastern Europe (CEE). For instance, many South African listed property companies now have a presence in the CEE, among them Accelerate, Attacq, Fortress, Growthpoint, Hyprop, Redefine and Resilient. This inclination towards international property investment hinges on the preference, requests and objectives of investing organisations. Briefly discuss the three (3) main motives for international investments. (6)
- b) Discuss the institutional factors that influence international property investors. (8)
- c) Apart from investments across multiple sectors like retail, office and industrial, well-diversified companies are geographically diversified domestically as well as abroad in hard currency markets. By expanding the spectrum of assets, international diversification should enable the achievement of a better risk-reduction trade-off than through domestic assets. Therefore, through international diversification, risk that is country-specific may be non-specific (diversifiable) in a global context.

- i) State briefly two options that are available to investors who may want to implement an international property diversification strategy. (4)
- ii) Briefly discuss the concept of hedging as it relates to international property investments and state any five (5) risks that can be hedged. (7)
- [25]
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**END OF EXAMINATION**