



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

Faculty of Natural Resources and Spatial Sciences

Department of Land and Property Sciences

| | |
|--|---|
| QUALIFICATION(S): BACHELOR OF PROPERTY STUDIES HONOURS DIPLOMA IN PROPERTY STUDIES BACHELOR OF LAND ADMINISTRATION | QUALIFICATION(S) CODE: 27BPRS 27DPRS 07BLAD |
| COURSE NAME: PROPERTY FINANCE 1 | COURSE CODE: PFN620S |
| EXAMS SESSION/DATE: JANUARY 2019 | NQF LEVEL: 6 |
| DURATION: 3 HOURS | MARKS: 100 |

| SECOND OPPORTUNITY/SUPPLEMENTARY EXAMINATION QUESTION PAPER | |
|--|-----------------|
| EXAMINER(S) | Mr. V. Kangotue |
| MODERATOR: | Mr. A. Issa |

THIS QUESTION PAPER CONSISTS OF THREE (3) PAGES
(Including this front page)

INSTRUCTIONS

1. Read the entire question paper before answering the Questions.
2. Please write clearly and legibly!
3. The question paper contains a total of 4 questions.
4. You must answer **ALL 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

Assuming you are the Property Investment Manager at ABC Bank of Namibia. New Horizon Ltd, a property development company based in Windhoek is seeking to arrive at a quick decision as to which two sources of financial vehicle to use. May it be **Debt** or **Equity** ? And which is the best way to access capital to finance its internal project of 20 storey headquarters in Windhoek? Briefly, explain how you would advise the Board of Directors (Shareholders) of New Horizon Ltd on the source of finance? (25)

[25]

Question 2

Explain the following terms as used in property finance.

- a) Syndicated loans (5)
- b) Real options (5)
- c) Mezzanine finance (5)
- d) Recourse loan (5)
- e) Sale and leaseback (5)

[25]

Question 3

- a) Discuss the term bridging finance as used in financing of property development projects. (6)
- b) With the aid of valid examples, demonstrate how lenders may use bridging finance to assist Investors during a period of economic recession. (12)
- c) What criteria would lenders in Three (3) (b) above use in approving a bridging loan? (7)

[25]

Question 4

- a) The table below shows the types and sources of property finance. Complete the table by filling in the missing period and sources information. (10)

| Type of finance | Period - years | Source |
|------------------------------|----------------|---------------------------------|
| LONG TERM | | |
| Ordinary share capital | i) | Institutions, private investors |
| Debentures | 10- 20 | ii) |
| Mortgage loans | iii) | Trust companies, banks |
| Lease backs | iv) | v) |
| Medium Term | | |
| Redeemable preference shares | 5 – 10 | Banks |
| Leasing | 3 - 10 | vi) |
| Suspensive sale | 3 -10 | Banks |
| Term loans | vii) | Banks |
| SHORT TERM | | |
| Overdraft | viii) | Commercial banks |
| Acceptances local | 90 – 120 days | Merchant banks |
| Acceptances foreign | 180 days | ix) |
| Debtor factoring | x) | Banks, Finance companies |

- b) Mr. Issa wanted to raise N\$ 10 000 000.00 for construction of the Department of Lands and Property Sciences new office building. He was thinking of raising the needed amount through the capital market, which is used mainly for raising of long-term finance. With examples describe three (3) capital markets sources Mr. Issa could have used? (9)
- c) If the monthly rental of a project is estimated at N\$ 10 000.00, with a yield of 12%, what will be the project value? (3)
- d) Differentiate between Forward sale and Participation loans. (3)

[25]