



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF ENGINEERING AND THE BUILT ENVIRONMENT

**DEPARTMENT OF LAND AND SPATIAL SCIENCES
(LAND AND PROPERTY SECTION)**

QUALIFICATION(S): BACHELOR OF PROPERTY STUDIES, DIPLOMA IN PROPERTY STUDIES AND BACHELOR OF LAND ADMINISTRATION	
QUALIFICATION(S) CODE: 08BPRS, 06DPRS, 07BLAM	NQF LEVEL: 5
COURSE CODE: ITV521S	COURSE NAME: INTRODUCTION TO VALUATION
EXAMS SESSION: JANUARY 2023	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY/SUPPLEMENTARY EXAMINATION QUESTION PAPER	
EXAMINER(S)	AMIN ISSA
MODERATOR:	SAMUEL A K HAYFORD

<p style="text-align: center;">INSTRUCTIONS</p> <ol style="list-style-type: none">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 <u>ALL QUESTIONS</u>.5. Make sure your Student Number is on the EXAMINATION BOOK(S).

PERMISSIBLE MATERIALS

1. NON-PROGRAMMABLE SCIENTIFIC CALCULATOR IS ALLOWED

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

QUESTION 1

For each of the following statements indicate whether it is 'TRUE' or 'FALSE'. Each correct answer carries 2 marks. (20)

- a) The comparative method of valuation can be used where there is a monopoly.
- b) The residual method of valuation is frequently used to assess the viability of development schemes.
- c) The suitability of the investment method of valuation depends upon a variety of factors, including the use of realistic yield, an accurate allowance for outgoings and, in the case of leasehold interests, an appropriate tax rate.
- d) The profits method of valuation is applicable to properties such as office buildings for rent and residential houses in an active market.
- e) When using the cost method of valuation, no account is taken of depreciation although the estimated value of land is added to get a final value.
- f) The residual valuation may be undertaken for one purpose only and that is the calculation of maximum value of a development site.
- g) In the Profits Method of Valuation, the Gross profit is obtained after deducting working expenses (except rent).
- h) Opportunity cost is the return or other benefit foregone in pursuing one particular investment opportunity rather than another.
- i) An appropriate basis of valuation is adopted for each purpose of Valuation.

- j) When the market is weak and few transactions are available, the applicability of the sales comparison approach may be limited.

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QUESTION 2

- a) List the various purposes of valuation and their respective bases. (8)
- b) Highlight any six (6) types of Values other than open market value that are related to valuation of landed property. (6)
- c) Highlight the eight (8) investment characteristics of real property. (4)
- d) List any eight (8) factors that affect property values. (4)
- e) Tapa invested N\$100 000 with Standard Bank Namibia at the beginning of this year. Estimate how much money he would have in his account by the end of the 5th year if the bank pays an interest of 10% per annum and no withdrawals are made before the end of the 5th year. (5)
- f) The owner of a house anticipates that he would need N\$ 10 000 in 5 years' time to repair his house. What sum of money should he set aside today (now) in order to meet this known future expense assuming money can be invested to earn an interest of 10% per annum? (5)
- g) A Freehold residential building is rented for period of 30 years at a rent of N\$70 000 per annum. It was recently sold for N\$500 000. What is the yield? Hint: Use $CV=NI \times YP$. (5)

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QUESTION 3

- a) John decides to save for 10 years so as to use the savings to buy himself a dream home. Supposing he saves N\$ 30 000 per annum at the end of each year in a bank that pays interest at 12% per annum, determine whether or not he would be able to purchase the dream home if such homes sell for around N\$ 2 000 000. (5)
- b) A shop with an area of 126 square metres is currently let at N\$5 000 per annum. Analyse the transaction to value an adjacent shop which has an area of 144 square metres. Yields for shops are 8%. Use YP in perpetuity. (5)
- c) The estimated gross earnings of Oshikundu Hotel is N\$800 000 per annum. The cost of goods sold amount to N\$350 000 and working expenses amount to N\$100 000. If tenant remuneration for working in the business is N\$150 000 and interest on capital is N\$25 000, calculate the rental value as well as the Capital Value. Interest rates for freeholds are charged at 10% per annum. (5)
- d) Using the Cost Method of Valuation and the data provided, calculate the Depreciated Replacement Value of the following subject property:
- Area of the building = 120m²
 - Building Rate per meter square = N\$4 000
 - Cost of land improvements (e.g. Paving, landscaping) = N\$30 000
 - Depreciation = 10%
 - Land Value = N\$40 000 (5)
- e) Assuming similar terms and conditions, analyse and calculate the rental value of Warehouse Unit C with a net floor area of 1200 square metres currently vacant and to let. The following are comparable properties:
- i) Warehouse Unit A adjacent, recently let at N\$9 000 per annum with a net area of 1500 square metres

- ii) Warehouse nearby was let 2 years ago at N\$7 000 per annum in extent of 1000 square metres
- iii) A similar warehouse sold this year for N\$112 500 with a net floor area of 1500 square metres (5)

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QUESTION 4

- a) Babarinde, a property developer, wants to build two houses and sell them at N\$500 000 each on completion. Each house has a gross area of 100 square metres. Current building costs are N\$4 000 per metre square. Siteworks will cost around N\$ 20 000 and professional fees are say N\$40 000. Developers Profit is put at 4%. Advise the developer on the amount that he should use to buy land to build the two houses. (5)
- b) What are the various roles of a valuation surveyor at central government level? Highlight any five (5) roles. (5)
- c) Briefly explain the method of valuation that you would use to value the following properties. (8)
 - i) A Police Station
 - ii) A private pleasure resort with bar, disco house and sporting facilities
 - iii) An arable farm
 - iv) An office building that is letting space to companies

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END OF EXAMINATION PAPER!!



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