



NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF ENGINEERING AND SPATIAL SCIENCES

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

QUALIFICATION(S): BACHELOR OF PROPERTY STUDIES DIPLOMA IN PROPERTY STUDIES	
QUALIFICATION(S) CODE: 08BPRS 06DPRS	NQF LEVEL: 6
COURSE CODE: PDM611S	COURSE NAME: PROPERTY DEVELOPMENT AND MARKETING
EXAMS SESSION: JULY 2022	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY/SUPPLEMENTARY EXAMINATION QUESTION PAPER	
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INSTRUCTIONS
<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

THIS QUESTION PAPER CONSISTS OF 6 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. (16)

- a) The trend in the local property development for sale market that most investor watch continually in order to make real estate investment decision is the trend in occupancy rate.
- b) Given the way supply and demand cycles works in the property market, a low absorption rate causes softer rental market (falling market rentals) rather than falling property prices.
- c) The rental demand cycle of property owners is defined and determined on the basis of absorption rate, and the trend can be observed by following the local absorption trend.
- d) If existing properties are experiencing higher occupancy rates, prospective tenants may see an opportunity to negotiate lower rents in older properties, thereby limiting the income potential of a new building.
- e) Real estate market analysis can be defined as identification and study of demand and supply. The supply side are competitors; both existing stock and those at various stages in the development pipeline.
- f) Public development spending by government tends to correlate directly with the economic climate, being increased when expansion of the economy is desired and decreased when it is necessary to apply the brakes.
- g) Public development decisions by government as a stakeholder in property development are mostly undertaking on a political grounds.
- h) Insurance companies enjoy the benefit of more control with an investment in property company share than a direct Investment in property.

- i) Commercial estate agents are employed by firms to find accommodation. Estate Agents are, therefore, a source of information on the assessment of unsatisfied demand relating to the quantity and quality of space and preferred location.
- j) The demand for space is to some extent a function of the strength of the local economy. Types of employment and level of unemployment can help to show where the gaps exist in the market or the manner in which the local economy might more successfully be filled.
- k) Rentals are a reflection of scarcity, rising rent will tend to indicate unsatisfied demand whilst static or falling rent are likely to indicate an oversupply of premises.
- l) Real estate research for investment decision making focuses exclusively on design, layout, services and building specifications required by users.
- m) 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.
- n) Residential developers who focus on building owner-occupied facilities usually only require short-term development finance often over months rather than years.
- o) The amount of money Residential developers need to borrow is comparatively larger in contrast to commercial real estate developers.
- p) 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.

[16]

Question 2

- a) Enumerate the four (4) reasons for property development from demand perspective. (2)
- b) According to Reed and Sims, Property Development, (2015), undertaking property development is largely about the 'process' of developing a property. Briefly account for any two (2) of the following major stages of property development process. (8)
- i) Market Analysis (for viability)
 - ii) Design and Costing
 - iii) An Enforcement Order and Stop Notices/orders as a requirement for consent and permission.
- c) Two investment opportunities are available to you, with the expected income flows as follows:

Year	Investment Options	
	Beach Front Apartment (N\$)	M Plaza Hotel (N\$)
1	7,500	6,500
2	8,200	6,500
3	9,000	9,000
4	10,500	9,300
5	11,300	12,500

Beach Front Apartment maybe purchased for N\$125 000 and M-Plaza Hotel for N\$120 000. In 5 years' time, the investments are expected to sell for N\$175 000 and N\$ 180 000 respectively. If you require a 12% return on capital, which investment would be more preferable? (17)

[27]

Question 3

- a) Identify and briefly explain any two (2) types of listing contract (mandates) that may be created in an agency relationship. (6)
- b) Discuss any three (3) significance of fiduciary relationship that exist between an estate agent and their principals regarding their duties in an agency relationship. (9)
- c) Estate agents, in their relationship with prospective purchasers or lessees, have certain legal and ethical obligations to serve their interest in a professional manner.
- i) Briefly explain the process of qualifying the buyer in a professional manner by an Estate Agent. (8)
- ii) Briefly discuss any three (3) areas that constitute rendering a professional service to a prospective buyer. (9)

[32]**Question 4**

Okachana square site could reasonably be expected to be used for any of these types of property development; residential building, an office building or a commercial building. Below is detail construction and market information on the respective uses;

Types of Use	Area for Construction (sq. m)	Cost of construction (sq. m in N\$)	Rental (N\$ sq. m)	Vacancy rate (%)	Credit losses (N\$)
Residential	4500	899	150	3	10,000
Office	3580	750	200	2	15,000
Commercial	2850	689	194	3	12,000

Operating expenses to be incurred are estimated to be 15%, 20% and 18% of the respective effective gross income for residential, Office and Commercial developments.

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

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

	<u>Residential</u>	<u>Office</u>	<u>Commercial</u>
Sales price	2,500,000	3,800,000	3,560,000
Buyer's expected Net operating income			
During the first year of ownership	250,000	320,000	382,000

It is anticipated that Concession stands in the Office and Commercial developments will generate annual revenue of N\$2,400 and N\$1,850 respectively.

You are required to conduct an appraisal to determine the highest and best use that maximizes the value of Okachana square site. (25)

[25]

All the best of luck.