



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF ENGINEERING AND THE BUILT ENVIRONMENT

DEPARTMENT OF LAND AND SPATIAL SCIENCES

QUALIFICATION(S): BACHELOR OF PROPERTY STUDIES	
QUALIFICATION(S) CODE: 08BOPS	NQF LEVEL: 8
COURSE CODE: REM821S	COURSE NAME: REAL ESTATE MARKET ANALYSIS
EXAMS SESSION: NOVEMBER 2025	PAPER: THEORY
DURATION: 2 HOURS	MARKS: 100

FIRST OPPORTUNITY 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. Please START EACH QUESTION ON A FRESH PAGE.4. The question paper contains a total of 4 Questions.5. You must answer <u>ALL QUESTIONS.</u>6. Make sure your Student Number is on the EXAMINATION BOOK(S).

PERMISSIBLE MATERIALS

1. Non-programmable Scientific Calculator

THIS QUESTION PAPER CONSISTS OF 8 PAGES (Including this front page)

Question 1

Read each question carefully. Among the alternative answers, choose the letter that correspond to the best/correct answer. Each correct answer carries 1 mark.

- 1.1 Which of the following best describes why real estate markets are considered less flexible compared to other markets?
- A) Real estate properties can easily be relocated.
 - B) Supply of real estate is constant in the short term and cannot be quickly adjusted.
 - C) Real estate prices are fixed by government policy.
 - D) Transactions happen frequently, allowing quick market adjustments.
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- 1.2 According to Polish Civil Code definitions, which of the following is NOT considered an immovable property?
- A) Land property.
 - B) Buildings permanently attached to the land.
 - C) Movable furniture inside a building.
 - D) Separate premises like apartments with independent ownership.
- 1.3 What is the key economic consequence of the "location" characteristic of real estate?
- A) The property value is independent of its surroundings.
 - B) Buyers can easily substitute properties in different cities.
 - C) The market for a property is usually local and limited to a specific area.
 - D) Properties in less accessible areas have higher market liquidity.
- 1.4 Why is real estate considered "high capital-intensive," and what is one major implication of this?
- A) Because land is free; this leads to low prices.
 - B) Because properties require substantial upfront investment, they usually require external financing and a long period to recover costs.
 - C) Because buildings are easy to build, investments are quickly recovered.
 - D) Because properties depreciate rapidly, short-term investment strategies are effective.
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- 1.5 Considering the characteristics of the real estate market, what is the likely effect of the "low liquidity" feature on an investor?
- A) Quick cash return after selling is guaranteed.

- B) It is easy to buy and sell properties anytime without price changes.
- C) It may be difficult to quickly sell the property at the desired price, potentially tying up capital.
- D) The real estate market always operates with frequent transactions like stock markets.

1.6 Which market is primarily concerned with contracts defining mutual rights and obligations linked to controlling a property rather than transferring ownership?

- A) Investment market.
- B) Rental market.
- C) Commodity market.
- D) Secondary stock market.

1.7 In the context of Polish real estate law, what must happen for a premise (e.g., an apartment) to be considered a separate immovable property?

- A) It must be permanently attached to the land.
- B) It must be less than 100 square meters.
- C) It must be legally separated by a notarial deed and entered in the Land and Mortgage Register.
- D) It must be rented out to tenants.

1.8 Which of the following factors is NOT cited as a major constraint on the efficiency and transparency of the Polish real estate market?

- A) Difficulty in verifying the credibility of information.
- B) Long-standing tradition of free real estate market mechanisms.
- C) Lack of harmonized legal provisions.
- D) Interruption of over half a century of free market tradition.

1.9 How does "interdependence" among properties influence real estate value and market behavior?

- A) Properties' values depend solely on their individual characteristics.
- B) The function and value of one property can be affected by the use and development of neighboring properties.
- C) Location has no effect on property value.
- D) Interdependence decreases the variability of property prices.

1.10 Which of the following best explains why the real estate market requires professional service providers with licenses and qualifications?

- A) Because the market is simple and requires little ongoing education.
- B) Due to the market's volatility, complexity, and need for updated information and rules, professional expertise is necessary to ensure transactions are properly conducted.
- C) Because real estate sales happen automatically through online platforms.
- D) Because licensing prevents market transactions.

[10]

Question 2

An investor is evaluating two separate proposals to build a 2,000 square-meter commercial retail center in two distinct locations within Windhoek, Namibia. They want to understand how location affects the potential market value of the investment.

- Location A: Eros This is an established, high-demand, and affluent suburb.
 - Projected Annual Gross Rental Income: N\$300 per square meter
 - Annual Operating Expenses: 25% of gross income
 - Market Capitalization Rate (Cap Rate) for this area: 8%
- Location B: Rocky Crest This is a newer, less-developed, and still-emerging suburb.
 - Projected Annual Gross Rental Income: N\$200 per square meter
 - Annual Operating Expenses: 20% of gross income
 - Market Capitalization Rate (Cap Rate) for this area: 11%

Based on the data provided, calculate the projected market value of the retail center in each location.

Which location demonstrates greater property value and why?

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Question 3

- 3.1 Distinguish between the terms land, real estate, and real property, and provide an example of an "improvement" in the real estate context. (5)
- 3.2 Discuss the primary economic factors that influence real estate markets. How does each factor affect a market's demand and prices? (3)

- 3.3 What are the three key components of a housing need and demand study? And further explain the purpose of each component. (3)
- 3.4 Identify at least five key players in the real estate market, besides buyers and sellers, and briefly describe the role each plays. (5)
- 3.5 What are some of the key elements you would examine when conducting real estate market analysis/research? (5)
- 3.6 What is qualitative data in the context of a Housing Need and Demand study, and why is it useful? Provide three examples of qualitative data sources. (5)
- 3.7 Identify and explain three key risks or challenges associated with real estate investment and ownership. (4)

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Question 4

- 4.1 Define The Highest and Best Use (HBU) in the context of the determination of the property market value. (3)
- 4.2 What is the "reasonably probable" standard in Highest and Best Use analysis, and how did it become widely adopted? (2)
- 4.3 Explain the four key tests for determining the Highest and Best Use of any property. (5)
- 4.4 Explain the relationship between the Highest and Best Use concept and Market Rent. (5)
- 4.5 A local Valuer, Mr. Mutangazwa, has been hired to value a vacant corner of Erf in a rapidly developing area of Windhoek. The parcel is currently zoned for a single-family home, which is the standard use for the neighborhood.

However, based on his preliminary research, Mr. Mutangazwa notes that the city council is actively considering a zoning change for the entire block to allow for mixed-use commercial and residential

properties. This change could potentially allow for the construction of a small retail complex with apartments above it. While the zoning change is not yet approved, the strong political and community support suggests it is "reasonably probable" within the next year.

- Scenario A: Valuing the property as a single-family home.
 - The market data shows that similar residential lots in the area sell for approximately N\$1,500,000.
 - Scenario B: Valuing the property as a potential mixed-use development.
 - The market value of a completed mixed-use development on a similar Erf is estimated to be N\$8,000,000.
 - The total development cost (excluding land) is estimated at N\$5,000,000.
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Using this scenario, explain the distinction between "Highest and Best Use" and "Most Probable Use." Which valuation Scenario A or B should Mr. Mutangazwa use to determine the property's market value, and why? (5)

4.6 A Town Planner in Windhoek is reviewing proposals for a long-vacant, centrally located lot. The city is considering selling it to a developer, and its decision will be heavily influenced by how the proposed project aligns with the city's long-term goals for urban development.

Two developers submit proposals:

- Developer A: Proposes building a multi-story apartment complex. Their appraisal report, based on comparable residential sales, values the land at N\$10 million for this purpose.
- Developer B: Proposes building a smaller, single-story retail shopping center. Their appraisal (valuation) report, based on the income approach, values the land at N\$12 million.

The town planner, after reviewing a market analysis, knows that the area has a severe housing shortage and that the apartment complex would be highly profitable and address a critical community need. The planner also understands that while the retail center may fetch a higher price today, it does not align with the city's broader goal of increasing housing density.

Using the information provided, explain why Highest and Best Use (HBU) analysis is important for a real estate practitioner like the town planner, even though they are not property valuers. How does the concept of HBU help them make a decision that goes beyond simply accepting the highest offer?

(5)

4.7 Mr Shikululo Property Developers CC. A real estate development company in Windhoek has acquired a large, multi-use property. It consists of two distinct parcels:

- Parcel A: A 5-ha vacant lot, currently zoned for a single-family home. It is situated on a hill with scenic views, but the local government is considering a zoning change to allow for high-density residential and commercial mixed-use development, as it is a prime location.
- Parcel B: An adjacent 5-ha Erf with an existing, well-maintained but old, two-story office building. The building is only 50% occupied, but it is still generating a small, positive cash flow.

The company's primary goal is to maximize the total value of the combined property.

Explain how the definition of Highest and Best Use (HBU) would differ for Parcel A (vacant land) versus Parcel B (an improved property). What would the developer need to consider for each parcel to determine its HBU? (5)

4.8 A small, single-story retail building in in the CBD of Windhoek is for sale. The building is 100% occupied by small businesses, and it is currently generating an annual net operating income (NOI) of N\$500,000. The current market capitalization rate for similar properties is 9%.

A developer is interested in buying the property, but only if they can justify demolishing the existing building to construct a 15-story, mixed-use residential and commercial high-rise. The new building would require a total investment of N\$60 million, including the cost of demolition. The projected annual NOI for the new high-rise is N\$6 million. The capitalization rate for this type of new, high-density development is 12%.

The developer's required rate of return on their investment is 15%.

Using the concept of "financially feasible," explain whether the high-rise redevelopment is the Highest and Best Use for this property. Would the developer's project meet their financial requirements? (5)

4.9 Mr Maingo a local developer, is considering a 5-Ha vacant parcel of land zoned for commercial use. Two potential uses are being evaluated:

- A N\$ 50,000 m² retail center. The estimated total development cost is N\$7.5 million. The projected gross annual income is N\$1.2 million, with annual operating expenses of N\$350,000.

- An office park with two buildings, totaling 60,000 m². The estimated total development cost is N\$9 million. The projected gross annual income is N\$1.5 million, with annual operating expenses of N\$400,000.

Assuming a market capitalization rate of 9% for both property types, which use represents the Highest and Best Use for the land? (5)

- 4.10 Ms Davis, a property owner, has a small, older 10 unit/flats apartment building in a prime urban location. The building is currently generating a net operating income (NOI) of N\$75,000 per year. The market capitalization rate for similar apartment buildings is 7.5%.

A developer offers to buy the property for N\$900,000. The owner believes the property's value could be maximized by demolishing the current building and constructing a new, larger 25-unit building. The cost of demolition and new construction is estimated to be N\$4 million. The new building is projected to have a net operating income (NOI) of N\$400,000 per year. The market capitalization rate for new, larger apartment buildings is 7%.

Should the owner sell this property for N\$900,000, or should they redevelop it? (5)

- 4.11 A 2-Ha parcel of vacant land is being considered for retail development. The Valuer has determined that this is the Highest and Best Use. The project will include a 30,000 square meter building. (5)

Using the following information calculates the maximum justifiable value for the vacant land:

- Gross Project Income: N\$40 per square meter per year
- Operating Expenses: 30% of Gross Project Income
- Capitalization Rate (for completed project): 8.5%
- Total Development Costs (excluding land): N\$200 per square meter
- Developer's Profit: 15% of Total Development Costs

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