



PANIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF ENGINEERING AND THE BUILT ENVIRONMENT

DEPARTMENT OF LAND AND SPATIAL SCIENCES

QUALIFICATION(S): BACHELOR OF PROPERTY STUDIES BACHELOR OF LAND ADMINISTRATION DIPLOMA IN PROPERTY STUDIES	
QUALIFICATION(S) CODE: 08BOPS 07BLAM 06DIPS	NQF LEVEL: 5
COURSE CODE: ITV521S	COURSE NAME: INTRODUCTION TO VALUATION
EXAMS SESSION: DECEMBER 2025	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY/SUPPLEMENTARY EXAMINATION QUESTION PAPER	
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<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. Please START EACH QUESTION ON A FRESH PAGE.4. The question paper contains a total of 5 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 10 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.

- 1.1 In classical economic theory, land is not considered a factor of production but an additional burden to the owner.
- 1.2 Property prices result from negotiations between buyers and sellers, and they are influenced by the activities of local authorities.
- 1.3 The supply of land has a direct and significant impact on house prices in Katutura by influencing the availability and affordability of housing plots and units.
- 1.4 Land servicing involves lengthy processes and high costs for infrastructure installation (roads, water, electricity). This delays the release of land for development, limiting housing supply and maintaining upward pressure on prices.
- 1.5 Two competitive properties with identical physical characteristics may have the same market values even if one of the properties has less attractive surroundings.
- 1.6 As an asset, land includes anything on the ground, above ground and under the ground.
- 1.7 The highest and best use of a property means it's most profitable or beneficial use.
- 1.8 Land servicing involves lengthy processes and high costs for infrastructure installation (roads, water, electricity). This, however, does not delay the release of land for development, limiting housing supply and maintaining upward pressure on prices.
- 1.9 A high-density area depicts a large land area occupied by a fewer number of people.
- 1.10 Shifts in demand and supply factors may cause the prices of the subject property and comparable properties to vary.
- 1.11 The Contractor's Method, also known as Depreciated Replacement Cost, is ideal for special-purpose

buildings that rarely sell and do not generate income, like schools or hospitals.

- 1.12 The Investment Method involves capitalizing the net income from a property to determine its value and is similar to the Income Capitalization Approach.
- 1.13 The Cost Approach includes two sub-methods: Reproduction, which uses modern materials and methods, and Replacement, which rebuilds an exact replica.
- 1.14 The Sales Comparison Approach does not require adjustments for differences in location, condition, or size between the subject property and comparables.
- 1.15 In the Income Approach, net operating income excludes depreciation and debt service charges when calculating value.
- 1.16 Discounted Cash Flow valuation for real estate can estimate terminal value using a capitalization rate derived from similar properties.
- 1.17 The Profits Method is unsuitable for valuing residential properties without business operations.
- 1.18 Residual Method is commonly used for existing income-producing properties rather than development sites.
- 1.19 The concept behind the Present Value of N\$1 is that a person may accept to receive a lesser sum now which could be invested to earn sufficient interest to ensure that by the time the future is reached, the invested sum plus the interest earned would equal N\$1.
- 1.20 You are trying to verify the sales price on Mr Hayford's house. He tells you he bought it for N\$1,230,000. You check with the buyers, and they tell you the sales price was N\$1,200,000. You will rely on value given to you by Mr Hayford's information when doing a comparable sales analysis.

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Question 2 : Multiple Choice questions.

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 To have value, a good must possess at least one of the following basic characteristics, namely

- A. Aesthetics
- B. Scarcity
- C. Abundance
- D. Sold in supermarkets

1.2 Market price may be the following in any given transition.

- A. Equated to cost
- B. negotiated price between buyer and seller's representative
- C. not an arm's length transaction
- D. none of the above

1.3 If a good or service is incapable of being exchanged for other goods or services;

- A. It has no market value
- B. It has market value
- C. It is useless to buy or sell
- D. It can be sold in the open market

1.4 A freehold is;

- A. A method of owning property for a fixed term but not the land on which it stands.
- B. The outright ownership of the property and land on which it stands with no time limit
- C. The right to own the building and the land while the land is owned by somebody else
- D. The right to own a 99 year term for a piece of land

1.5 Which of the following will result in a lower market price which is lower than the market value:

- A. When either buyer or seller needs to complete the transaction quickly
- B. If the transaction is not at arm's length, such as a sale between relatives or friends
- C. When interest rates are high
- D. Both A and B above

1.6 An arms-length transaction is where:

- A. The owner of a property sells the property secretly
- B. The buyer and seller know each other and act prudently
- C. The buyer will obtain funds for the purchase from the bank
- D. The buyer and seller do not know each other and both act prudently

1.7 The major valuation functions are:-

- A. Transfer of ownership
- B. Extension of credit (mortgages)
- C. Compensation for damage or loss, Taxation/Rating
- D. All are correct

1.8 Market value is different from market price in that market price ____.

- A. is always 10% below market value
- B. is not an actual value, but just an idea
- C. is a fact that has actually occurred
- D. is taxable and market value is not taxable

1.9 Most valuations are done to :-

- A. Determine loan to value of the property and also market value of the property
- B. Determining value of all properties in a local authority area
- C. Determining whether the property should be sold or not
- D. All are correct answers

1.10 What are the four essential criteria that define the highest and best use of a property?

- A. Legally permissible, physically possible, financially feasible, maximally productive
- B. Easy to develop, low-cost, highest market demand, government approved
- C. Physically possible, legally free, long-term, cost-effective
- D. Immediate construction, leasehold, zoned commercial, low risk

1.11 A group of investors is looking to buy a shopping mall to add to a portfolio of investment properties. Which of the following valuation methods would be most useful to them?

- A. Comparative sales method
- B. Asset based approach

- C. Income approach
- D. Cost approach

1.12 The net income of a property, divided by the value of a property, would provide the:

- A. Depreciation rate
- B. The rental rate
- C. The capitalization rate
- D. The cash flow rate

1.13 Which of the following principles could be used by a Valuer to value a piece of property?

- A. Supply and demand
- B. Substitution
- C. Contribution
- D. All of the above

1.14 The owners of some newly built homes are told that a new sewage treatment plant will be build next to their community. Home values would decline from:

- A. Functional obsolescence
- B. Physical deterioration
- C. Economic obsolescence
- D. Eminent domain

1.15 A residual valuation may be done for three main reasons:

- A. To value a development site which a developer wants to acquire.
- B. To determine expected profit from undertaking development where a site is already owned by the developer.
- C. To calculate a cost ceiling for construction where land has been acquired.
- D. All of the above

1.16 The replacement cost to build a new warehouse is N\$200,000. The land value is N\$50,000, and depreciation is estimated at N\$30,000. What is the property's value?

- A. N\$220,000
 - B. N\$250,000
 - C. N\$220,000
 - D. N\$170,000
- 1.17 A development site's completed project value is N\$1,000,000. Development costs are N\$600,000, and the developer's required profit is N\$200,000. What is the land value?
- A. N\$200,000
 - B. N\$400,000
 - C. N\$800,000
 - D. N\$1,200,000
- 1.18 A school building's replacement cost is N\$500,000. It has depreciated by 20%. The land value is N\$100,000. What is the total value?
- A. N\$400,000
 - B. N\$500,000
 - C. N\$600,000
 - D. \$480,000
- 1.19 A Comparable property sold for N\$250,000. The Subject property has a better location (+ N\$10,000) but needs repairs (- N\$5,000). What is the Adjusted value?
- A. N\$255,000
 - B. N\$245,000
 - C. N\$260,000
 - D. N\$240,000
- 1.20 Gross income: N\$100,000; expenses: N\$30,000; vacancy: N\$10,000; NOI is N\$60,000. With a 7.5% capitalisation rate, what is the value?
- A. N\$800,000
 - B. N\$750,000
 - C. N\$900,000
 - D. N\$600,000

Question 3

- 3.1 Calculate the amount of N\$1,000 after 4 years at 10% (2)
- 3.2 If N\$20,000 has been invested for the last 3 years at 6% per annum compound interest, calculate the total amount invested to-date. (2)
- 3.3 You invest N\$10,000 at 10% for 8 years and then withdraw the funds and invest them at 12% for 3 years. What is the value of the investment at the end of 11 years? (2)
- 3.4 If Muna requires a rate of return of 10% how much would you advise her to pay for the right to receive N\$2,000 in 5 years' time? (2)
- 3.5 If you invested N\$10,000 at 6% on your 20th birthday, how much would you have on your 40th birthday? (2)
- 3.6 Kamosho needs to do roof repairs to his house in 4 years' time at a cost of N\$28,688. Advise him on how much money he should set aside each year assuming that he can invest money at a rate of return of 4% p.a. (2)
- 3.7 Mr. Kilonge wants to buy a house worth N\$600 000 in 10 years' time. He has decided to deposit his money in FNB which gives him an interest rate of 10.5%. If he deposits N\$50 000 now, will he be able to buy the dream house? (2)
- 3.8 An investor plans to buy a rental property that will generate an annual net income of N\$50,000 over the next 15 years. The investor's required rate of return is 7%. Calculate the capital value of the expected income stream. (2)
- 3.9 An investor in a Namibian property fund contributes N\$5,000 annually for 10 years at a 6% return rate. Estimate the accumulated value at the end of the period, for assessing the maturity value of a development fund. (2)

3.10 A company is expected to receive annual rental payments of N\$72,000 for 10 years. The company's required rate of return (discount rate) is 7% per annum. What is the present value of these yearly payments? (2)

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Question 4

4.1 A small office building generates a net rental income of N\$120,000 annually. The market capitalization rate for this type of building is 8%. What is the estimated value of the building? (2)

4.2 A comparable house sold 2 years ago for N\$350,000. Inflation has averaged 6% annually. What would be the adjusted sale price today? (2)

4.3 A warehouse has a replacement cost of N\$800,000. The building has depreciated by 25%, and the land is valued at N\$200,000. What is the total value of the property? (2)

4.4 A developer forecasts a gross development value (GDV) of N\$2,000,000 for a new housing estate. Costs of construction and fees total N\$1,400,000. The expected profit margin is 15%. Estimate the residual land value. (3)

4.5 A petrol station business reports a net profit of N\$90,000. Tenant remuneration is N\$15,000, and interest on capital is N\$10,000. Calculate the rental value of the property. (2)

4.6 A retail shop produces an annual net operating income (NOI) of N\$50,000. If the market cap rate is 10%, what is the market value of the property? (2)

4.7 An airport terminal is estimated to cost N\$30 million to replace new. Depreciation and obsolescence are estimated at 40%. What is the current value of the building ignoring land value? (2)

4.8 Three similar properties sold recently: Property A for N\$500,000, B for N\$520,000, C for N\$480,000. Adjusting for very minor differences, estimate the value of a similar property. (2)

4.9 A property has a gross annual income of N\$150,000. The gross income multiplier for the area is 8.

Calculate the property value.

(2)

4.10 A property is expected to provide net cash flows of N\$50,000 annually for 5 years, declining at 3% annually. If the discount rate is 9%, calculate a rough estimate of present value assuming end-of-year receipts.

(6)

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Question 5

5.1 Highlight the four (4) conditions that a comparable property must meet.

(4)

Note: One (1) mark for each condition highlighted

5.2 Why is a Deed an important source of market data to the valuer?

(4)

5.3 Briefly explain each of the following:

i) Physical Depreciation

(1)

ii) Externalities or economic obsolescence

(1)

iii) Functional Obsolescence

(1)

5.4 When comparable sales are unavailable or inadequate and a property generates no income, an appraiser would likely use another valuation method. Identify the method and define it.

(4)

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END OF EXAM PAPER!

