



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 DIPLOMA IN PROPERTY STUDIES	
QUALIFICATION(S) CODE: 08BPRS 06DPRS	NQF LEVEL: 6
COURSE CODE: PDM611S	COURSE NAME: PROPERTY DEVELOPMENT AND MARKETING
EXAMS SESSION: JULY 2023	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. 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).
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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. (20)

- a) A Listing Contract indicates among other things a broker's fee as a specified amount or as a percentage of the selling price if the broker finds a buyer from a particular class of people who is "ready, willing and able" to purchase the property. (1)
- b) For a specific property development project, market research is important in getting to know the relevant clientele in a specific real estate sub-markets and respond to their needs with a suitable product offering. (1)
- c) Real estate market analysis has the potential to identify some features lacking in the existing supply of properties, which if included in the proposed project, will offer a competitive advantage. (1)
- d) If the actual vacancy rate is below the natural vacancy rate, landlords feel they can afford to wait for better tenants and those who can pay higher rents; this will exert upward pressure on rents. (1)
- e) When real estate demand keeps up with the supply of housing and the local economy is declining, increase in rentals generally reflect in continued appreciation in real estate prices. (1)
- f) Vacancy levels for commercial and retail spaces are measured in terms of rental units as those for apartments are measured in square footage. (1)
- g) Rental rates or levels provide a good indicator of the supply and demand situation for income producing properties. (1)
- h) Market occupancy rate is important because it tells the potential of a property. Low vacancy rates and a lower number of permits generally show that real estate prices will appreciate. (1)
- i) High vacancy rates indicate an oversupply of real estate which ultimately pressures rental rates downward because there is so much competition among landlords for tenants. (1)

- j) When low occupancy rates occur, it is a landlord's market. The low rates create higher demand for existing units which, in turn, keeps market prices higher. (1)
- k) Increase in number of property listing is a reflection of a situation in which the cost of renting a home is low as compared to the cost of buying a home. (1)
- l) Increase in listings of real estate with agents is an indication that the market is becoming saturated. This provides an incentive for real estate investor to embark on increased property developments.
- m) Market areas that boast of better highway network capacity usually tend to have competitive advantage that enhances their ability to command rent. (1)
- n) Rental revenues can be estimated by looking at comparable properties in the market and benchmarking existing rental rates. Leasing brokers are the best sources for this type of information. (1)
- o) A more general market study may require demand and pricing analysis of a given site for a proposed development. (1)
- p) Too many listings give buyers the opportunity to be more picky making investment opportunities even much more attractive for real estate investors. (1)
- q) Decrease in property listings indicates demand is greater than supply. Price will trend downwards and so will the opportunity for appreciation will diminish. (1)
- r) Concessions items like upgrades, special deals are normally associated with landlord's market. (1)
- s) Natural vacancy rate is that rate where rent increases are zero. Rent growth is negative or falling when prevailing vacancy rate is above the natural vacancy rate. (1)
- t) In order to establish the Highest and best use for a given real estate development, the development concept will normally involve analysis of the real estate space market, physical analysis, legal and political analysis and financial analysis. (1)

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Question 2

- a) As a property investment analyst, you are required to provide Mr Aliguntu Muctam with a professional advice as to which of these mutually exclusive investments should be undertaken by him if his (investor) target rate is 10%.

Particulars	Investment A N\$	Investment B N\$
Outlay	7 000	9 000
Cash Inflows		
Year 1	4 000	5 000
Year 2	3 000	4 000
Year 3	2 500	3 000

In the process of carrying out the investment appraisal, you are informed that the projected Cash inflows for year two and year three of Investment A and Investment B respectively were inclusive of municipal taxes. These expenses are estimated at N\$250 and N\$165 for Investment A and Investment B respectively. (Adopt 4 decimal places for all PV N\$1 calculated figures). (11)

- b) Enumerate the four (4) reasons for property development from demand perspective. (2)
- c) According to Reed and Sims, Property Development, (2015), undertaking property development is largely about the 'process' of developing a property. Chose any two (2) of the following major stages of property development process and briefly explain. (8)
- i) Market Analysis (for viability) (4)
 - ii) Design and Costing (4)
 - iii) An Enforcement Order and Stop Notices/orders as a requirement for consent and permission. (4)
- [21]**

Question 3

- a) Briefly explain the process of qualifying the buyer in a professional manner by an Estate Agent. (9)
- b) Briefly account for any six (6) actions by an estate Agent that may be deemed to constitute an improper conduct. (12)

- c) Elaborate on the process of selling real estates under estate agency business. (13)

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Question 4

- a) Outline any three (3) Demand factors or indications of apartments (residential facilities as a major type of property. (3)
- b) Kaluchas CC owns Primrose site for which it has to make *site-looking-for-a-use* decision. The site could reasonably be expected to be used for Apartment building, an Office building or a Commercial building. Below is the detail construction and market information on the respective uses;

Types of Use	Area for Construction (sq. m)	Rental (N\$ sq. m)	Vacancy rate (%)	Credit losses (N\$)
Apartments	3 500	23	2	10 500
Office	3 380	34	3	14 000
Commercial	2 880	36	2	12 000

The following estimated expenses in N\$ were to be incurred per square metre to erect the respective structures;

	<u>Residential</u>	<u>Office</u>	<u>Commercial</u>
Labour	4	4	5
Materials	6	5	6

You are further informed that the following estimated expenses in N\$ were expected to be incurred in the course of operating the property;

	<u>Residential</u>	<u>Office</u>	<u>Commercial</u>
Property taxes	550	655	662
Insurance	700	675	875
Utilities	350	460	550

Assume a market return of 10%, 12% and 13% on Apartment, Office and Commercial buildings respectively.

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

You are required to carry out an appraisal to determine the *highest and best use* that maximizes the value of Primrose site. (22)

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