



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 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: NOVEMBER 2025	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY 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 9 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 Land is physically indestructible but its value can change over time.
- 1.2 Market price always reflects the true market value of a property.
- 1.3 Depreciation always applies to land as it wears out over time.
- 1.4 A property's location rarely affects its value.
- 1.5 Fixtures legally form part of the real property.
- 1.6 Leasehold and Freehold interests are valued the same way in the investment method.
- 1.7 The present value of \$1 table calculates the future worth of \$1 invested now.
- 1.8 In an imperfect property market, price and value can differ due to lack of perfect information.
- 1.9 The cost method of valuation includes adding land value after accounting for depreciation of the building.
- 1.10 The residual method of valuation is suitable only for fully built, stable properties.
- 1.11 Investment value is based on an individual investor's criteria, which can be higher or lower than market value.
- 1.12 Comparative sales data should be adjusted for differences in time, location, and physical characteristics.
- 1.13 The Annual Sinking Fund table helps determine the amount to save annually to accumulate a future sum.

- 1.14 Real estate's immobility makes it more sensitive to its immediate environment than other investments.
- 1.15 GIS can be used to assess environmental factors affecting land value.
- 1.16 In informal settlements, land values typically exceed those in formal settlements due to scarcity.
- 1.17 A valuation is valid for any time and any market conditions once completed.
- 1.18 Leasehold estates can have an investment value even after the lease expires.
- 1.19 Capitalization converts an income stream into a capital value.
- 1.20 Regression analysis is well established in valuation practice and used universally.

[20]

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.

2.1 Which principle states that a buyer will not pay more for a property than the cost to rebuild it?

- A. Investment Method
- B. Cost Method
- C. Comparative Method
- D. Residual Method

2.2 What is the primary purpose of a valuation report?

- A. To estimate the monetary worth of property under market conditions
- B. To give a personal opinion about property
- C. To list all improvements on land
- D. To forecast future prices

- 2.3 Which valuation method relies on comparing recently sold similar properties?
- A. Investment Method
 - B. Cost Method
 - C. Comparative Method
 - D. Profits Method
- 2.4 What is depreciation in the cost method?
- A. Increase in property value minus value of land
 - B. Loss of utility or value over time
 - C. Value of the land minus the improvement
 - D. Market price
- 2.5 Which term refers to the sale price adjusted for typical market conditions?
- A. Forced Sale Value
 - B. Liquidation Value
 - C. Open Market Value
 - D. Book Value
- 2.6 What is an annuity in finance?
- A. A lump sum payment
 - B. Series of equal payments over time
 - C. The value of land
 - D. Depreciation
- 2.7 Which table is used to determine future value when investing \$1 today?
- A. Present Value of \$1 Table
 - B. Years Purchase Table
 - C. Annual Sinking Fund Table
 - D. Amount of One Dollar Table
- 2.8 Which of the following is NOT normally considered in property value?
- A. Location
 - B. Colour of paint
 - C. Age of the building
 - D. Accessibility
- 2.9 Which valuation method is most appropriate for a petrol station?

- A. Comparative Method
 - B. Cost Method
 - C. Investment Method
 - D. Profits Method
- 2.10 If a father sells his house to his son, you expect the son to pay:
- A. For his hospital bills due to old age
 - B. A sum equal to the market value
 - C. Less than the market value
 - D. None of the above
- 2.11 What defines freehold ownership?
- A. Ownership for a fixed term
 - B. Ownership in perpetuity
 - C. Ownership only of buildings
 - D. Lease of land
- 2.12 Which factor affects demand for real estate the most?
- A. Population growth
 - B. Soil type
 - C. Building materials
 - D. Airspace rights
- 2.13 Which table gives the present worth of a \$1 annual payment for n years?
- A. Amount of One Dollar Table
 - B. Present Value of \$1 Table
 - C. Present Value of \$1 per Annum Table
 - D. Annual Sinking Fund Table
- 2.14 Which is NOT a characteristic of real estate?
- A. Mobility
 - B. Immobility
 - C. Durability
 - D. Heterogeneity

- 2.15 The years purchase (YP) in perpetuity formula assumes which time period?
- A. 5 years
 - B. 20 years
 - C. 50 years
 - D. Infinity
- 2.16 Which of the following is a typical outgoing in investment property?
- A. Repairs
 - B. Purchase price
 - C. Legal fees
 - D. Gross income
- 2.17 Which of the following factor is NOT part of the property market's imperfections?
- A. Lack of central market
 - B. Homogeneity of property
 - C. Limited buyers and sellers
 - D. Imperfect information
- 2.18 Which of the following method of Valuation requires estimating building cost new?
- A. Investment Method
 - B. Residual Method
 - C. Cost Method
 - D. Profits Method
- 2.19 What is the basis of the residual method of valuation?
- A. Potential development surplus
 - B. Historical cost
 - C. Market comparison
 - D. Income capitalization
- 2.20 Which of the following is the least reliable in informal settlements?
- A. Cadastral maps
 - B. Land value maps
 - C. GIS data
 - D. Sale prices

[20]

Question 3

- 3.1 Calculate the amount to be received in 6 years if you invest N\$22,000 now at 10% interest rate. (2)
- 3.2 A payment of N\$50,000 is due in 3 years. What is its value now assuming a discount rate of 10%? (2)
- 3.3 An individual invests N\$5,000 at the end of each year for 8 years in an account earning 9% interest annually. What is the total amount accumulated after 8 years? (2)
- 3.4 An investor contributes N\$2,000 at the end of each year for 5 years at an interest rate of 10%. What will be the total amount accumulated after 5 years? (2)
- 3.5 A company needs N\$15,000 in 12 years. How much must it deposit annually while earning 4% interest, to accumulate this amount? (2)
- 3.6 A farmer expects to receive a government grant of N\$10,000 exactly 5 years from today to improve irrigation on his farm. Using a discount rate of 8%, determine the amount he should consider as the value of this grant today for budgeting purposes. (2)
- 3.7 A recent graduate invests N\$10,000 in a savings account with an annual interest rate of 6%. Calculate how much money the graduate will have in the account after 7 years, assuming interest compounds annually. (2)
- 3.8 A construction company needs to replace a bulldozer in 10 years, which is expected to cost N\$200,000 at that time. To prepare, they want to deposit an equal amount at the end of every year into an interest-bearing sinking fund that earns 5% annually. Calculate the annual payment required. (2)
- 3.9 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)
- 3.10 A commercial building owner expects to receive a steady net income of N\$600,000 annually in perpetuity from the property. Using a capitalization rate of 8%, estimate the capital value of this property. (2)

[20]

Question 4

- 4.1 A rental property generates an annual net income of N\$12,000. If the investor's required rate of return (capitalization rate) is 8%, calculate the capital value of the property using the investment method. (3)
- 4.2 A similar property was sold two years ago for N\$250,000. Assuming an inflation rate of 5% per annum, what would be the adjusted sale price today? (3)
- 4.3 A building's replacement cost is estimated at N\$500,000. After accounting for 20% depreciation, and adding the land value of N\$100,000, what is the total value of the property using the cost method? (3)
- 4.4 A development project has a gross development value of N\$1,200,000. Estimated development costs are N\$800,000, and the developer expects a 10% profit margin on the GDV. Calculate the residual land value. (3)
- 4.5 A business generates a net profit of N\$40,000. The tenant's remuneration is N\$5,000 and interest on tenant's capital is N\$3,000. What is the rental value using the profits method? (3)
- 4.6 A valuer in Windhoek is appraising a 3-bedroom residential house in the Olympia suburb. A comparable property, recently sold for N\$1,200,000, has similar features but is 10% smaller in floor area (100 m² vs. 110 m² for the subject property) and lacks a modern kitchen, warranting a N\$50,000 downward adjustment for the comparable. The size difference requires a 10% upward adjustment based on the comparable's price. What is the estimated market value of the subject property? (5)
- 4.7 A small retail building in Swakopmund generates an annual gross income of N\$240,000. Operating expenses (maintenance, taxes, insurance) are N\$60,000, and the vacancy rate is 5% of gross income. The market capitalization rate for similar properties is 8%. What is the estimated value of the property using the Income Approach? (5)

[25]

Question 5

5.1 Differentiate between Market Value, Market Price, and Investment Value (6)

5.2 Highlight how the following factors affect property values: (4)

- i) Location (1)
- ii) Physical condition (1)
- iii) Economic conditions (1)
- iv) Accessibility (1)

5.3 Explain the role of GIS and Cadastral Maps in Land Valuation. (5)

[15]

