



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF ENGINEERING AND THE BUILT ENVIRONMENT

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

QUALIFICATION(S): BACHELOR OF PROPERTY STUDIES DIPLOMA IN PROPERTY STUDIES BACHELOR OF LAND ADMINISTRATION	
QUALIFICATION(S) CODE: 08BPRS 06DPRS 07BLAM	NQF LEVEL: 6
COURSE CODE: LEM621S	COURSE NAME: LAND ECONOMICS
EXAMS SESSION: NOVEMBER 2022	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION 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 6 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. (20)

- a) Property tax satisfies the principle of equity because as a progressive tax system, the rate of tax rises with increasing rateable values of property.
- b) In situations where the law fixes the rate of property tax in primary legislation, the tax revenues will vary according to changes in market values and regular revaluations.
- c) Given any urban use of land (i.e., Residential, industrial or commercial), operations carried out within their areas of highest and best use are profitable, but not as profitable as those carried out within their zones of transference.
- d) Land use capacity measures the productive potential of a given parcel of land utilized for a given use at a given time with a specified technological and production conditions.
- e) According to Von Thunen's Theory of Least-cost location activities located beyond the no-rent margin can be profitable only when the gains in reduction in labour and management costs more than compensate transportation cost (loss).
- f) Bid rent theory assumes that in a free market the highest bidder will obtain the use of the land. It stands to reason that the highest bidder is likely to be the one who can obtain the maximum profit per square metre from the site and so can pay the highest rent.
- g) Profit-making land uses are those uses that produce satisfaction (utility) to the users of land whilst non-profit making land uses are those that give only monetary benefits to the users of land.
- h) The concept of use capacity is used in land economics to give an indication of relative abilities of a single parcel to provide net returns or other satisfactions.

- i) Anticipated flows of land rent provide a guide for the decisions operators make concerning prospective investments in new or existing land resource development.
- j) The taxability of a property owner in term of property tax is determined by the product of the tax base and the tax rate expressed as a percentage of the tax base as the case may be.
- k) The base for (especially residential) property tax is typically calculated using an estimate of the market value of the property. The determination of this assessment ratio is typically at the discretion of the taxing authority.
- l) The success of the primary task of using the cost approach to estimate the market value of all taxable properties requires data on a substantial number of recent sales of comparable properties.
- m) The income capitalization approach for estimating the rental value of taxable property requires information on income and operating expenses for the property. The gross income stream is generated by the property is discounted at an appropriate rate to determine the property's value.
- n) The property tax rate adopted annually by a taxing authority is typically set by the central government.
- o) Property taxes are normally accompanied by tax limitations. This may take the form of limitation by the central government on percentage of rates.
- p) Rental value assessment seems likely to lead to inaccurate estimates of property values with a high tendency towards underestimation by property owners.
- q) Landlords usually make rental concessions during periods when the supply of tenants is low. This occurs during and when an economy experiences rapid growth.
- r) A method of assessment that requires property owners to tax themselves without a credible verification process will obviously boost the size of the tax base.

- s) Land by itself has little economic value until it is used in conjunction with inputs of capital, labour and management.
- t) Property as a medium of investment differs considerably in its qualities and characteristics compared with other forms of investment.

[20]

Question 2

- a) Define land economics from a legal perspective? (2)
- b) Are markets for land economically efficient? How can governments assist with the achievement of market efficiency? (5)
- c) What is the role of institutions in the allocation of land resources? Explain in the context of economic allocation of land resource to different users. (4)
- d) Discuss the significance of land as:
- i) A consumption good; (3)
 - ii) Situation; and (3)
 - iii) Property (3)

[20]

Question 3

- a) Given the following information from the City of Windhoek 2017 Budget proposal, determine the property tax rate to be adopted in the 2017/18 financial year for the purpose of calculating and levying of property tax. (5)

<u>SUMMARY OF TAXABLE ASSESSMENT BASE FOR THE CITY OF WINDHOEK FOR THE 2017 PROPOSED BUDGET</u>		
TYPES OF PROPERTIES	LAND VALUES (N\$)	IMPROVEMENT VALUES (N\$)
Residential properties	334,961,400	1,913,206,000
Industrial properties	299,689,000	2,633,890,000
Commercial properties	1,244,890,000	2,598,601,000
MUNICIPAL EXPENDITURE REQUIREMENT		AMOUNTS IN N\$
Extension of water supply		400,000,000
Upgrade of the central sewage system		60,000,000
General Waste collection		9,800,000
Acquisition of new Ambulance for the Otjomuise Fire Station		41,300,000
Construction of District hospital in Okuryangava		25,000,000
Construction of Primary Health Care Centres in Havana and 7 De Laan		13,800,000
NON-PROPERTY TAX REVENUE SOURCES		AMOUNTS IN N\$
Donations (Partnerships)		30,000,000
Interest on Current Investment		10,000,000
Grants from central government		60,000,000
Abattoir charges		44,000,000
Registration fees for local Taxi cabs and commuter buses		20,000,000
Trade license fees		42,000,000

- b) Discuss in detail the five (5) main advantages of municipal property tax. (15)
- [20]**

Question 4

- a) Supply of land for specific uses is comparatively static in the short term i.e., it takes some time to react to changes in demand. Fully outline on the reasons for the above. (6)
- b) Outline why it is important for local authorities to introduce property tax? (7)
- c) Inflation is termed as a one of the influential demand factors in an urban land market. Fully account how property investment becomes attractive during an increasing inflation environment? (4)
- d) Von Thunen's and Ricardo Theories of Least-cost location and fertility attributed the formation of land rent over a piece of land to various factors. Outline the factors responsible for land rent formation. (3)

[20]**Question 5**

The table below illustrates rental market data evidence for industrial properties in the Southern Industrial Area of Windhoek. With these market evidence value Unit 5 for land tax purpose assuming the following:

Assumptions:

- rate of return of 8%, repairs of 10%, insurance to be taken at 5% and a yard rate of N\$5m

Rental evidence						
UNIT No.	Warehouse area (m ²)	Office area (m ²)	Concrete Yard area (m ²)	Rent	Date struck	Comments
1	120	30	250	N\$12,000	01/10/2014	10 yr FRI lease Tenant paid N\$10,000 for heating system
2	105	25	180	N\$10,000	15/04/2013	FRI
3	105	20	170	N\$11,500	13/05/2015	FRI
4	125	25	180	N\$15,500	01/02/2015	Landlord pays for repairs & insurance
5	120	28	250	-	-	Occupied by owner of development

[20]**End of Examination**