JULIUS NYERERE SCHOOL OF SOCIAL SCIENCES

DEPARTMENT OF RURAL AND URBAN DEVELOPMENT

BACHELOR OF SCIENCE HONOURS DEGREE IN URBAN AND REGIONAL PLANNING

LEVEL 4 SEMESTER 1

EXAMINATION QUESTION PAPER

MODULE CODE	RUPH 413
MODULE NARRATION	PROPERTY VALUATION AND MANAGEMENT
DATE	2024
DURATION	2 HOURS

INSTRUCTIONS TO CANDIDATES:

1. Answer any three questions, at least one question from each section.
2. Each question carries 25 marks.
3. Show all your calculations. Credit is given for orderly presented calculations.
4. All calculations should be based on the Valuation Booklets provided.

SECTION A

1. With reference to properties in Zimbabwe, examine the applicability of any three methods of property valuation.

2. Discuss the stages to be followed when inspecting existing properties.

SECTION B

3(a) Mr. J. Moyo will receive $840 000 in 5 years' time. However, he has decided to sell his right to Mrs B. Makado. How much should Mr. Moyo be willing to accept from Mrs B. Makado if 10% discount rate is used? [5]

(b) An amount of $45 000 is required to replace a staircase in today's terms. The staircase will be replaced in 10 years' time and it is expected that, this cost will increase by 15% per annum. How much should be set aside at the end of each year in a sinking fund at 20% per annum in order to fund the replacement of the staircase? [8]

(c) Jenny has a right to receive US$120 000 from an investment that will mature 8 years from now. Jenny would want to sell her right to John. How much should Jenny be willing to accept from John if 20% discount rate is used? [4]

(d) Briefly explain four steps considered when carrying out inspection. [8]

4 (a) Mr. N. Moyo has leased a commercial property for a period of 10 years. It is estimated that on average an amount of $450 000.00 per annum will be required as maintenance costs. Calculate the true cost of maintenance when the lease expires, given a discount rate of 23% per annum?[5]

(b) Tawanda owns an office complex which was let 4 years ago at a rental of $42 000 per annum for 10 years. The open market rent for such properties is estimated to be US$60 000 per annum. The lease agreement is on Full Repairing and Insuring (FRI) terms and investors expect a 12% per annum return on this type of property. Advise Tawanda on the value of his freehold using:

i. Traditional Yields Term and Reversion Approach [8]
ii. Equivalent Yields Term and Reversion Approach. [6]
iii. Equivalent Yields Layer Income Approach [6]

5. (a) Johnson Investments is required to refurbish the roof and staircase of their building in six years. It is estimated that the total cost of refurbishment is $ 750,000.00 (seven hundred and fifty thousand dollars). The cost is expected to increase by 7.5%. Johnson Investments intends to borrow 45% of the total cost of refurbishment from the market and fund the remainder of the cost through rentals collected. Banks are currently lending at 9.5% per annum.

(i) Advise Johnson Investments on the total cost of refurbishment. (6 marks)

(ii) How much of their rentals should Johnson set aside each year to meet their contribution towards the cost of refurbishment? (7 marks)

(iii) Prove that the amount set aside each year will accumulate to the expected contribution Johnson should make towards the total cost of refurbishment in six years. (6 marks)

(b) Calculate the Annual Sinking Fund that should be invested at the end of each year to accumulate to $13 million in 6 years' time at 9 % (6marks).

END OF PAPER