



JULIUS NYERERE SCHOOL OF SOCIAL SCIENCES

DEPARTMENT OF RURAL AND URBAN DEVELOPMENT

BACHELOR OF SCIENCE HONOURS DEGREE IN URBAN AND REGIONAL PLANNING

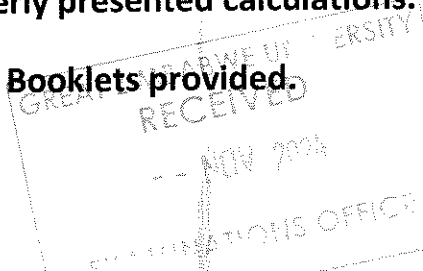
LEVEL 4 SEMESTER 1

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