



UNIVERSITI TUN HUSSEIN ONN MALAYSIA

**FINAL EXAMINATION
SEMESTER II
SESSION 2011/2012**

COURSE NAME : VALUATION FOR LAND ACQUISITION

COURSE CODE : BPE 23003

PROGRAMME : 2 BPD

EXAMINATION DATE : JUNE 2012

DURATION : 3 HOURS

INSTRUCTION : ANSWER **FOUR** QUESTIONS OUT OF SIX QUESTIONS.

THIS QUESTION PAPER CONSISTS OF **TWELVE (12)** PAGES

Q1 Lot 56789 is an oil palm estate of 90 hectares in size. It is cultivated with matured oil palm of about 25 years of age and its physical terrain is flat and at road level. Lot 56789 is located at the fringe of the Multimedia Super Corridor (MSC). The registered owner of the estate has come to seek your advice regarding his estate upon receiving news that his estate has been gazetted by the State Government for compulsory land acquisition. In the course of the meeting the land owner provided you with the following information:

- A portion of Lot 56789 approximately 9.5 hectares as seen shaded in diagram below (**Figure Q1**) was gazetted under **Section 4** of the Land Acquisition Act 1960 (amended) on the **15th October 2002** and it was again gazetted under **Section 8** of the same Act on the **31st March 2003**.
- The purpose of the land acquisition is for a new highway linking the MSC with Klang.

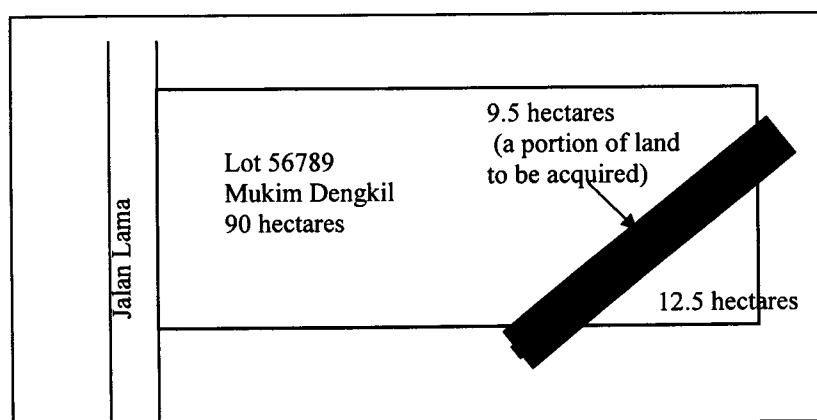


Figure Q1: A portion of land to be acquired.

From your investigation and research of the area you have found the following transaction data involving agricultural properties in the vicinity of the subject lot.

Lot No	Title	Category of land use	Land Area (ha)	Location	Date of transaction	Sale Price (RM)	Notes
30221	Freehold	Agriculture	25	Road frontage	1.6.2002	8,027,500	Matured oil palm
25612	Freehold	Agriculture	48	Road frontage	10.8.2002	14,014,440	Matured oil palm
32651	Freehold	Agriculture	67	Road frontage	8.9.2002	19,858,800	Matured oil palm
54345	Freehold	Agriculture	22	Road frontage	6.5.2002	6,738,000	Matured oil palm
25833	Freehold	Agriculture	88	Highway frontage	30.12.2001	25,213,760	Old rubber
25767	Freehold	Agriculture	98	Highway frontage	10.12.2002	29,047,200	Matured oil palm
45913	Freehold	Agriculture	55	Road frontage	5.1.2003	19,019,000	Matured oil palm
25411	Freehold	Agriculture	38	Highway frontage	6.12.2002	12,201,800	Matured oil palm

Other information gathered from your client are as follows:

- New fencing needs to be placed along the new boundaries approximately 2.3 km in length. Cost of fencing is approximately RM25 per meter run.
- The estate drainage system needs to be realigned including the installation of a new flood gate. Cost of realignment of drainage system is estimated at RM55,000 including the flood gate.
- The existing estate roads need to be realigned as well including the construction of a box culvert at certain point of the estate to link the severed part of the estate. The cost of realigned of road is estimated at about RM75,000 and the box culvert about RM200,000.
- 5 contract workers have to be terminated as a result of the acquisition and 5 units of workers quarters will be left vacant. The cost of construction of the quarters is RM15,000 per unit.
- Due to the realignment of roads and drains, 100 palm trees have to be cut resulting in a loss of income approximately RM9,000 per annum.
- As a result of the acquisition the estate has been severed into 2 parts with the remaining part at the south-eastern portion of the estate becoming a triangular piece with an area of 12.5 hectares.
- On the acquired portion there is a Hindu temple which sits on a site approximately 0.5 hectares. According to your client, the Hindu temple is newly reconstructed at the cost of RM150,000. The temple site was leased to the temple management committee for a period of 99 years about a year ago.

Based on the Land Acquisition Act 1960 (amended), the transaction data available and other information gathered, you are required to:

- (a) Prepare a valuation on the amount of compensation that the registered owner of Lot 56789 should claim from the Government. (20 marks)
- (b) Advise the registered owner of Lot 56789 on other compensation claims arising from the land acquisition. Appropriate assumptions may be made to support your advice. (5 marks)

Q2 PT 9099, Mukim & District of Petaling, State of Selangor is a piece of land currently being used as a petrol station located at KM 1, Jalan Sungai Tembaga. PT 9099 has been gazetted by the State Government for compulsory land acquisition under **Section 4** of the Land Acquisition Act 1960 (amended) on **9th June 1998** and it was again gazetted under **Section 8** of the same Act on **22nd February 1999**. The land acquisition is for the purpose of upgrading and widening of Jalan Sungai Tembaga.

PT 9099, Mukim & District of Petaling with a land area of 0.4 hectare is held under a 99 years lease expiring on 12th June 2089. The express condition stated in the title is that the land is to be used for petrol pump and service station only. The registered owner of the land is Timmy Sdn. Bhd and the land was leased to Petronas Dagangan for a period of 60 years starting on 10th September 1993 and expiring on 9th September 2053.

The leaseholder of the land (Petronas Dagangan) decided to appoint you as their valuer regarding their claims of compensation for the compulsory land acquisition. After site inspection you have gathered the following information:

- The whole lot will be affected by the acquisition exercise.
- The lot is fronting Jalan Sungai Tembaga, flat at road level.
- The building found on the subject lot is petrol station building constructed in 1995 with accommodation for sales area, manager's office, lubrication bay, canopy with 5 pump islands, NGV pump station, ramp, 5 underground tanks with capacity of 6,000 gallons each and a TNB substation. The building is of permanent construction with ceramic tiles and cement screed floor, aluminium and fibre acoustic ceiling and spandex roofing.
- The costs of constructing the petrol station from the building contract are as follows:

Building	-	RM713,289
Civil & External works	-	RM414,808
Mechanical & electrical works	-	RM76,100
- Recent transaction of petrol lands in the Petaling district recorded prices ranging between RM132.60 psf to RM163.40 psf.
- The profits of the station for the past three years are as follows

<u>Year</u>	<u>Profit (RM)</u>
1997	404,822
1996	344,308
1995	343,981

The leaseholder (Petronas Dagangan) reckons that he has to move and relocate his business elsewhere. Due to the relocation he anticipated that he will lose one year's profit due to the waiting period for the construction of a new petrol station. He also expects a drop in profits by 25% for about 2 years after the relocation.

Based on the information available, you are required to:

- (a) Prepare a valuation on the amount of compensation that the Leaseholder (Petronas Dagangan) may allow to submit to the Land Administrator of Petaling Jaya District. (20 marks)
- (b) Advise the Leaseholder (Petronas Dagangan) on other compensation claims arising from the land acquisition. Appropriate assumptions may be made to support your advice. (5 marks)

Q3 A factory building which is owned by Mr Ali and shown in **Figure Q3** consists of two identical floors. It is held on a ground lease having 20 unexpired years to Mr Ahmad. The ground rent is RM 18,000 per annum with the sinking fund of 4% per annum and tax of 40 % per annum. Mr Ahmad (leasholder) runs a small manufacturing unit. It is estimated that the market rental value is RM 48,000 per annum for the entire factory.

The state highway department intends to acquire the front strip of land about 5 meters wide on the north side of the main road for road widening purposes. The ground rent for the portion to be acquired has been agreed at RM 3,000 per annum.

The front portion is used for loading and unloading purposes. It may assume the lorries will not be allowed to stand on the new road.

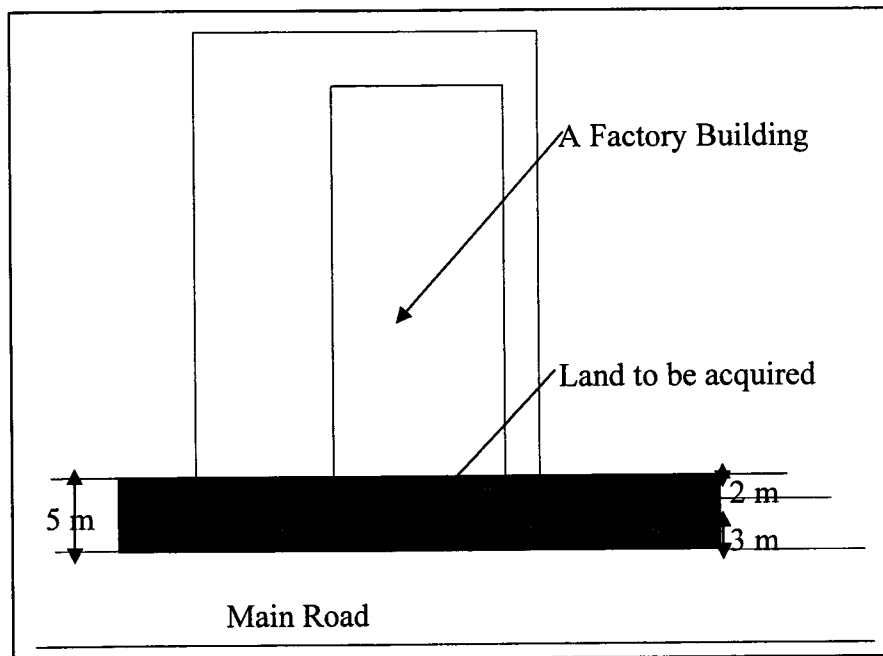


Figure Q3: A portion of land to be acquired

Based on the Land Acquisition Act 1960 (amended) and other information gathered, you are required to:

- (a) ~~Free~~ Prepare a valuation on the amount of compensation that Mr Ali (the Leaseholder) may claim and submit to Government arising from this land acquisition exercise.

(10 marks)

- (b) Free Prepare a valuation on the amount of compensation that Mr Ahmad (the Leaseholder) may allow to submit to Government arising from this land acquisition exercise.

(15 marks)

Appropriate assumptions may be made to support your advice.

Q4 Notice to acquire for Lot No. 2367 Mukim and District of Batu Pahat, state of Johor had been gazetted for acquisition on these dates:

Section 4 : 30th June 2001
Section 8 : 12th December 2001

Other details are as follows:

Purpose : for a new highway
Title No : Geran Mukim 2251
Lot area : 3.062 acres
Area acquired : 2.5 acres
Category of land use : Agriculture
Tenure : Freehold
Annual rent : RM18.00
Registered owner : En SHAB
Express condition : for the cultivation of fruit trees
Other endorsement : Malay Reservation

Upon inspection, you noted the following:

Terrain : Flat
Cultivation : Fruit Trees
Buildings : 2 detached houses on the acquired portion
 a. A 2-storey house of permanent construction with a main floor area of 2,500 sq. feet and you estimated the replacement cost at RM100 psf.
 b. A single storey detached house of permanent construction with a main floor area of 1,500 sq.feet. Your estimate of the replacement cost is RM80 psf.
Access : metalled road.
Facilities : connected to the water & electricity mains. Sewage is water-borned.
Fencing : chain link enclosing the site.

You went to the local authority and were informed that the area is zoned residential at a density of 300 persons per acre. There is a need to provide a 62 feet buffer zone along the highway and no building is allowed to be built on the buffer zone.

You did some searches and found the following sales:

Lot no	1908	2553	2586	2590	2571
Land area (acres)	2.969	2.944	3.084	3.250	3.00
Sale price (RM)	9,053,000 (full share)	2,564,000 (full share)	6,738,000 (full share)	5,662,800 (full share)	3,267,000 (full share)
Date of sale	13/05/2001	20/03/2001	15/04/2001	18/08/2001	15/02/2001
Tenure	Freehold	Freehold	Freehold	Freehold	Freehold
Category of land use	Building	Agriculture	Agriculture	Agriculture	Agriculture
Express condition	Residential	Nil	Nil	Cultivation of fruit tree	Nil
Terrain	Flat	Flat	Flat	Flat	Flat
Other endorsement	Nil	Malay reservation	Nil	Nil	Malay reservation

Based on the available information above you are required to:

- (a) Prepare a valuation of Lot No. 2367 Mukim and District of Batu Pahat, State of Johor. (20 marks)
- (b) Advise En SHAB on his compensation claims arising from the land acquisition. Appropriate assumptions may be made to support your advice. (5 marks)

Q5 Mdm SHAB, the freehold occupier of a warehouse having 1000 square metres of net usable space, has recently been served with a Notice to Acquire by the local authority.

Her gross annual profits from her business over past 5 years have been recorded as below:

Year 1 – RM17,000
Year 2 – RM17,500
Year 3 – RM17,500
Year 4 – RM18,000
Year 5 – RM18,000

Based on the Land Acquisition Act 1960 (amended) and other available information gathered, you are required to:

- (a) Prepare a valuation for compensation on the assumption that Mdm SHAB is unable to relocate elsewhere (10 marks)
- (b) Prepare a valuation for compensation on the assumption that Mdm SHAB has found alternative premises nearby, but the move means that her business will be closed down completely for a period of 10 weeks and, in consequence, she will lose permanently 20% of her customers. However, it is anticipated that the business will be operating at its former level of profit within three (3) years of the move. (15 marks)

Appropriate assumptions may be made to support your advice.

Q6 En Hisham owns Lot Nos 2586 & 2587 of agricultural land located in Kampong Aceh in the Mukim & District of Parit Sulong, State of Johor. Both of these lots are located within the Kampong Aceh Malay Reservation Area and the titles are endorsed with 'Malay Reservation'. They are freehold land with a provisional land area of 2.00 acres each and they are fronting onto Jalan Aceh.

Lot No 2586 is built upon with a kampong house of temporary construction with a main floor area of 2,500 sq. feet and is in a fair state of repair. He has also built a small workshop at the back for his car workshop business. This workshop is of timber frame structure covered with corrugated iron roof sheets and a concrete floor with its sides open. The floor area of this workshop is approximately 600 sq. feet and it is in a fair condition. Besides these structures, the site is fenced with chain link fencing reinforced with barbed wire on top.

Lot No 2587 is built upon with a workshop measuring 40 feet by 50 feet. It is of timber frame with corrugated asbestos sheets roof, open sided and concrete floor. There is a small office building located at the rear of the workshop measuring 10 feet by 12 feet. It is of timber frame with corrugated asbestos sheet roof, timber weatherboard wall cladding and concrete floor. Both the buildings were built five (5) years ago and are let out to Kamal at a rental of RM1,200 per month on a five (5) year lease with four (4) years unexpired term.

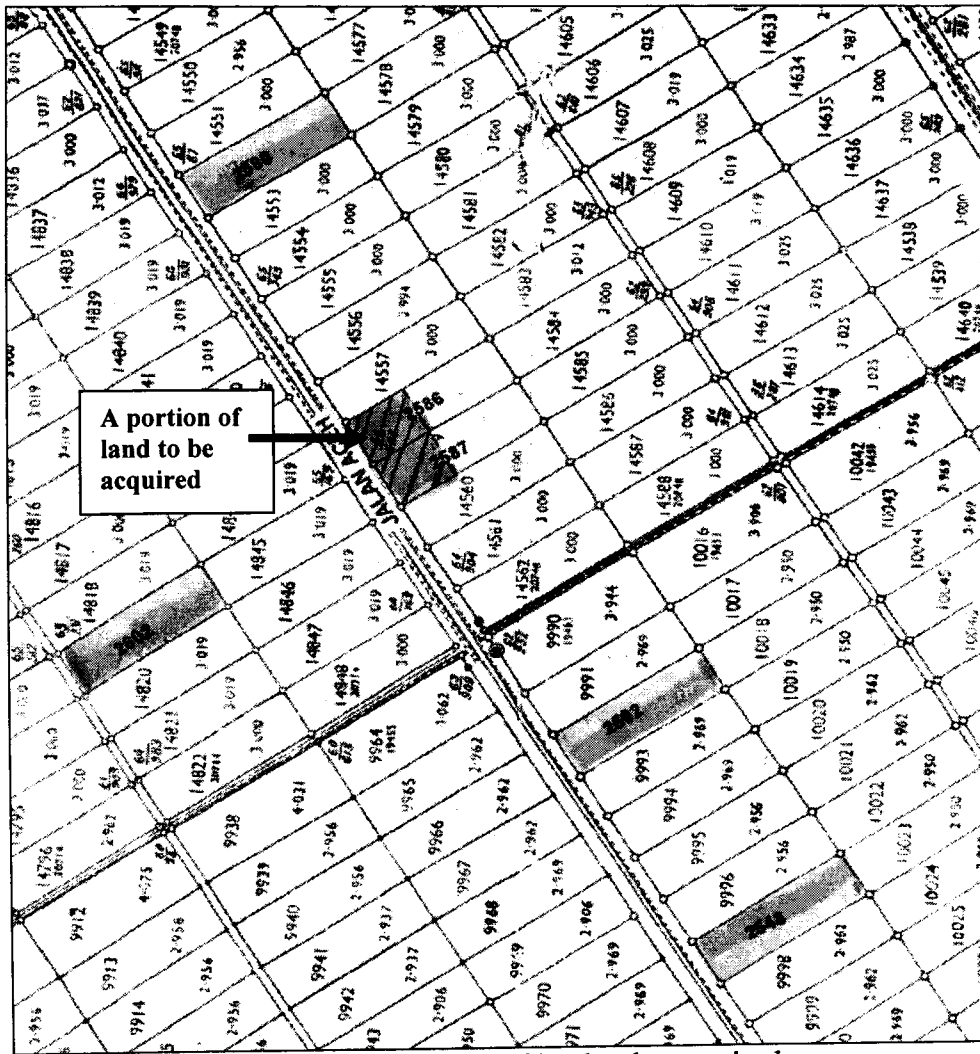


Figure Q6: A portion of land to be acquired.

Both Lot Nos 2586 & 2587 (refer to **Figure Q6**) were gazetted under **Section 4** of the Land Acquisition Act 1960 on **21st November 2000** for the purpose of resettling the Malays who were required to move from their Malay Reserved land which has to make way for a mosque. The said acquisition was gazetted again on **1st March 2001** under **Section 8** of the Land Acquisition Act 1960. The area acquired is a frontage portion of 1 acre for each of the two lots. All the buildings on the land were found on the acquired portions.

Your investigations have revealed the following:

Lot no	2590	2602	2548	2592
Land area (acres)	1.5	2.4	1.5	4.5
Land use	Agriculture	Agriculture	Agriculture	Agriculture
Description	Flat & vacant	Flat & planted with old rubber trees	Flat & vacant	Flat & vacant
Location	Fronting onto Jalan Aceh and is 300 meters north of the subject property	2 nd layer from Jalan Aceh and is 500 meters away from the subject property	Fronting onto Jalan Aceh and is 600 meters south of the subject property	Fronting onto Jalan Aceh and is 300 meters south of the subject property
Malay Reservation	No	No	Yes	Yes
Consideration (RM)	75,000	75,000	60,000	210,000
Date of Sale	1/08/1998	21/05/1999	25/04/1999	1/08/2000

Based on the available information above you are required to:

- (a) Advise En Hisham (a Freeholder's interest) on types and amount of compensation that he may entitle to claim. (10 marks)
- (b) Advise En Kamal (a Leaseholder's interest) on types and amount of compensation that he may entitle to claim. (15 marks)

Appropriate assumptions may be made to support your advice.

END OF QUESTION PAPER