UTHM
Universiti Tun Hussein Onn Malaysia

UNIVERSITI TUN HUSSEIN ONN MALAYSIA

FINAL EXAMINATION
(ONLINE)
SEMESTER I
SESSION 2020/2021

COURSE NAME	:	REAL ESTATE VALUATION
COURSE CODE	:	BPE 12303
PROGRAMME CODE	:	BPD
EXAMINATION DATE	:	JANUARY / FEBRUARY 2021
DURATION	:	3 HOURS
INSTRUCTION	:	ANSWER **ALL** QUESTIONS

THIS QUESTION PAPER CONSISTS FOUR (4) PAGES

TERBUKA

Q1   Real estate affects the economy because it makes up a large portion of individual and business wealth across economic sectors. When real estate prices rise, wealth increases, so individuals and businesses are more likely to borrow and spend. When home prices rise, the effects ripple across the economy.

(a)   Discuss key characteristics of the property market that make it necessary to employ the skills of a professional valuation surveyor.

(10 marks)

(b)   Illustrate how location and accessibility influence the property price / value.

(10 marks)

(c)   Explain the meaning of market value using the highest and best use (HABU) concept.

(5 marks)

(d)   Explain on ways to obtain legal title deed when it is not provided to you by your client during the property inspection.

(5 marks)

Q2   Your client is interested in purchasing, as an investment, the following ground floor stratified property (shophouse) located in the secondary prime areas of Jalan Telawi, Bangsar. The property is located fronting Bangsar Village II (shopping mall), bearing postal address no. 10, Jalan Telawi 2, Bangsar Kuala Lumpur. Description of the subject property is as follows:

Ground Floor: width 10m, depth 20m; Intermediate lot; water closet (WC) in the rear right hand corner of the shop of 1m width and 2m depth. The current rent payable was agreed 3 years ago at RM45,000 p.a. on Full Rental Insurance (FRI) terms with 5 year upward only rent reviews.

You are aware of the following market evidences of ground floor shophouse:

21 Jalan Telawi 3 (Lotus Corner Restaurant): Secondary prime; 10m wide and 20m deep; recently let at RM45,000 p.a. on a modern FRI lease; recently sold for RM682,000.

2 Jalan Telawi 3 (Hong Leong Bank), Secondary prime; 10m wide and 20m deep; recently let at RM60,000 p.a. on a modern FRI lease; recently sold for RM800,000.

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42, Jalan Maarof (Toni & Guy Hair Salon): Prime; 10m wide and 20m deep; recently rental reviewed at RM60,000 on FRI terms. The property was bought 5 years ago at RM1,000,000.

(a)   Assuming the client agrees to buy the property at RM1,000,000.00, thus intend to borrow from the bank on a mortgage. The nominal annual interest rate on the mortgage is 10% and the mortgage has a term of 25 years.

Calculate the monthly repayment needs to be paid by your client

(5 marks)

(b)   You are required to advise your client on the Market rent and yield of these premises. Prepare a fully annotated analysis of the comparable evidence and valuation of the subject property, clearly stating any assumptions you make.

(15 marks)

(c)   Advise your client on the Market Value of the property, clearly stating any assumptions you make based on findings in **Q2(b).**

(5 marks)

(d)   Your client does not fully understand the concept of "zoning" retail units as per the RICS requirement.

Explain the relevance of 'zoning' to the retailing sector.

(5 marks)

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Q3 You are part of the analysis team of an investment fund that can finance two different warehouses located in Bandar Pinggiran Subang Industrial Park, Shah Alam, Selangor.

The tenancy agreement is based on 2 + 2 months basis. Both buildings can be bought today (Year 0) at the stated price. The investment is expected to produce a cash flows from Year 1 to year 4.

The estimated cash flows of the two properties are shown in the **Table Q3** below:

Table Q3: Estimated cash flows

Year	Warehouse A	Warehouse B
0	-RM400,000	-RM1,000,000
1	RM100,000	RM200,000
2	RM120,000	RM300,000
3	RM130,000	RM400,000
4	RM150,000	RM500,000

(a) Calculate the Net Present Values (NPV) of the two (2) investments using discount rates of 7% and 10%.

(20 marks)

(b) Estimate the Internal Rates of Return (IRR) of the two (2) investments.

(5 marks)

(c) Determine which investment your company should invest on based on your findings in **Q3(a)** and **Q3(b).**

(5 marks)

(d) List **TEN (10)** factors affecting market value and/or investment value for industrial property.

(10 marks)

-END OF QUESTIONS-

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