



UTHM

Universiti Tun Hussein Onn Malaysia

UNIVERSITI TUN HUSSEIN ONN MALAYSIA

**FINAL EXAMINATION
SEMESTER I
SESSION 2013/2014**

COURSE NAME : THE VALUATION OF SPECIALISED
PROPERTY

COURSE CODE : BPE33503

PROGRAMME : 3BPD

EXAMINATION DATE : DECEMBER 2013 / JANUARI 2014

DURATION : 3 HOURS

INSTRUCTION : ANSWER ALL QUESTIONS

THIS QUESTION PAPER CONSISTS OF **TEN (10)** PAGES

Q1 The XYZ cinema is the owner and operator of 5 cineplexes located on the fifth floor of SS shopping complex in Kluang Town. It occupies a total floor area of 15,950 square feet. Each cineplex has 170 to 200 seats built with acoustic and sensurround system, well carpeted and air-conditioned. The cinema complex is equipped with four projectors and projection screens, an office and ticket counter and a snack kiosk. The cinema has been in operation for about 10 years and the property is freehold. The XYZ cinema has sublet the snack kiosk at RM3000 per month.

An analysis of the last 3 years trading accounts is as shown in Table Q1a below:

Table Q1a: Trading accounts of the XYZ cinema for the last 3 years

Show time Monday- Sunday (5 shows per cineplex)	Seating Capacity Cineplex					Ticket Price (RM)	Average Occupancy Rate (%) Cineplex				
	1	2	3	4	5		1	2	3	4	5
12.00 p.m	170	170	180	200	200	10.00	43	45	47	44	40
3.00 p.m	170	170	180	200	200	10.00	30	48	46	50	43
6.00 p.m	170	170	180	200	200	10.00	52	48	53	55	58
9.00 p.m	170	170	180	200	200	10.00	61	65	58	64	62
Midnight	170	170	180	200	200	10.00	60	72	70	72	66

A 25% entertainment tax is levied on the ticket sales. Revenue from advertisement trailer is RM180 for every show.

The business operating expenditure is as shown in Table Q1b below:

Table Q1b: The business operating expenditure of the XYZ cinema

Nos	Items	Operating Expenses (RM)
1	Salary, wages, bonuses, EPF, Socso	187,000 p.a
2	Electricity	2,100 per month
3	Water	400 per month
4	Local films rental	62,000 per month
5	Foreign films rental	85,000 per month
6	Operation license	10,000 p.a
7	Advertisement	4,000 per month
8	Business insurance	8,000 per month
9	Projectors maintenance	1,500 per month
10	Audit and secretarial fee	18,000 p.a
11	Management	36,000 p.a
12	Interest on working capital	420,000 @ 10% p.a

The amount of outgoings spent by the XYZ cinema is as shown in Table Q1c:

Table Q1c: The amount of outgoing spent by the XYZ cinema

Nos	Items	Outgoings (RM) per annum
1	Repairs (Internal & External)	100,000
2	Fire insurance	10,000
3	Assessment rates	15,000
4	Quit rent	95,000
5	Management	8,000
6	Service charge	105,000

Based on the available data above, you are requested to:

- (a) Value the subject property for balance sheet purpose. Suitable assumption may be made in the absence of relevant information and you are required to state all assumptions clearly in the footnotes. (20 marks)
- (b) State reason (s) of the chosen valuation method in Q1(a) over other methods of valuation (5marks)

Q2 Syarikat SHAB owns a factory complex and has approached you to carry out a valuation for the purpose of obtaining a loan from Commercial Bank Berhad. Particulars of the property are as follows:

Lot no : 365 Mukim & District of Klang, State of Selangor
 Land area : 6.5 acres
 Tenure : Freehold
 Category of land use : Industry

Office Building : Type : Double storey
 : Floor : Concrete tiles
 : Floor : Cement screed
 : Wall : Plastered brick
 : Air-condition : Split units
 : Main floor area : 8,200 sq. feet
 : Tenancy : Let out to ABC for RM10,000 per month with the tenant responsible for all outgoings. Lease expiring in the year 2022

Factory A : Type : Single storey
 : Floor : Reinforced concrete
 : Roof : Metal deck
 : Wall : Plastered hollow block
 : Height : 40 feet

	: Floor area	: 25,000 sq. feet
	: Tenancy	: Let out to ABC for RM22,000 per month with the tenant responsible for all outgoing. Lease expiring in the year 2020
Factory B	: Type	: Single storey
	: Floor	: Reinforced concrete
	: Roof	: Metal deck
	: Wall	: Plastered hollow block
	: Height	: 30 feet
	: Floor area	: 30,000 sq. feet
	: Tenancy	: Let out to ABC for RM40,000 per month with the tenant responsible for all outgoing. Lease expiring in the year 2020

Your investigation revealed the following:

- Current rentals of office buildings within an office complex are between RM2.50 to RM4.20 per sq. foot
- Current rental of factory buildings are between RM1.80 to RM2.50 per sq. foot
- Freehold industrial land of between 4 to 6 acres are being transacted at about RM27.00 per sq. foot
- The cost of similar office building is about RM120.00 per sq. foot while the cost of similar factory building is about RM105.000 per sq. foot
- Capitalisation rate of interest of the subject property is at the range between 10% - 12%.

Based on the available data provided above, you are required to:

- (a) Value the subject property for the freeholder's (owner's) interest by using the comparative method of valuation
(10 marks)
- (b) Value the subject property for the freeholder's (owner's) interest by using the investment method
(12 marks)
- (c) Propose your own opinion of value derived based on both selected methods of valuation in **Q2(a)** and **Q2(b)** above.
(3 marks)

Q3 You have been approached by MV Resort Bhd to value their property for internal management purpose. Detail particulars of land title for the subject property are as below:

Title Nos	:	H.S. (D) 444444
Lot Nos	:	PT122222
Mukim	:	Hulu Kinta
District	:	Kinta
State	:	Perak Darul Ridzwan
Registered area	:	150 hectares
Category of land use	:	Nil
Tenure	:	99 year lease, ended on 5 April 2093
Annual rent	:	RM 5,221.00
Registered owner	:	MV Resort Bhd
Express Condition	:	Building - Sport and Recreation (Golf Course)
Restriction in interest	:	This land cannot be transferred, leased or pledged without the permission from Menteri Besar Perak.
Encumbrances	:	Charged to ABCD Bank Berhad, Kuala Lumpur, dated on 12th November 1997.

The subject property is strategically located in the northern part of Ipoh and enjoying a better accessibility. The subject property is located about 5km from exit north-south express highway and about 18km from the nearest local Airport.

The Club House

The clubhouse is designed to the standards for a 4-star country club facilities and as shown in Table Q31:

Table Q31: The club house facilities

Building	Area	Description
Golf club 2 floor : Which includes restaurant, pro shop, changing room, office and other facilities.	MFA : 1785.19 sq.m MFA : 1927.86 sq.m	Roof : skylight / concrete Ceiling : concrete Wall : brick wall Floor : ceramic / cement / carpet
Driving range and gym : 2 floors which is a permanent building.	MFA : 268.36 sq.m AFA : 665.38 sq.m	Roof : pan tile Ceiling : asbestos-free Wall : brick wall Floor : cement / carpet
Half way house : 1 permanent building 3 units	MFA : 49.02 sq.m AFA : 172.50 sq.m	Roof : pan tile Ceiling : asbestos-free Wall : brick wall Floor : cement
Outdoor Tennis Court	MFA : 1449.81 sq.m	<ul style="list-style-type: none"> • Sport linoleum floor finishing. • Netting surrounding the court to prevent the ball from going out.
Swimming Pool	Volume : 63,1333.2 m ³	<ul style="list-style-type: none"> • Anti-slip tile for the floor furnishing.

The 27-hole Golf Course

The subject property consists of putting greens that contain 27-holes namely 9-holes Valley Nine courses, 9-hole River Nine courses, and 9-hole Waterfall Nine courses as well as 12 ponds, 27 elevated tees, 55 sand traps (bunkers), sprinkler system 500 head and parking bays. Details of these 27 holes are shown in Table Q3b, Table Q3c and Table Q3d.

Table Q3b: 9-hole Valley Nine

Hole	Tee (meters)				Par
	Championship	Blue	White	Red	
1	393	370	357	338	4
2	402	375	347	302	4
3	379	357	347	325	4
4	151	137	110	96	3
5	475	457	434	411	5
6R	151	128	123	101	3
7	517	489	457	398	5
8	357	334	315	288	4
9	375	366	329	311	4
Total	3200	3013	2819	2570	36

Table Q3c: 9-hole Waterfall Nine

Hole	Tee (meters)				Par
	Championship	Blue	White	Red	
10	411	396	379	338	4
11	377	368	353	333	4
12	160	140	136	110	3
13	354	338	326	294	4
14	509	486	465	422	5
15	377	364	346	302	4
16	172	142	122	111	3
17	502	479	468	431	5
18	370	361	347	320	4
Total	3232	3074	2942	2661	36

Table Q3d: 9-hole River Nine

Hole	Tee (meters)				Par
	Championship	Blue	White	Red	
19	370	361	347	297	4
20	489	471	462	425	5
21	146	137	128	114	3
22	325	302	283	256	4
23	338	320	311	283	4
24	535	512	503	485	5
25	338	329	302	283	4
26	174	155	151	119	3
27	347	333	320	299	4
Total	3062	2920	2807	2561	36

Fees and Membership

The detail of membership fees is as shown in Table Q3e below:

Table Q3e: Membership fees

Types of Memberships	Price (RM)
1. Individual Member	35,000
2. Nontransferable Individual Member	16,800
3. Corporate Member :	
• Golfing:-	
- 1 st nominee	39,000
- 2 nd nominee	21,000
- 3 rd nominee	20,000
- 4 th nominee	18,000
- 5 th to 12 th nominee	17,000 each
• Leisure and Sporting Member:-	
- 1 st to 12 th nominee	12,000 each
4. Resident Member	25,000
5. Term Member	5,000
6. Leisure and Sporting Member	12,000
7. Resident Leisure and Sporting Member	8,500

Recent Transaction data on the similar properties are as shown in Table Q3f below:

Table Q3f: Sale evidences of the similar property

	Sale no 1	Sale no 2	Sale no 3
Lot no	3855	2339	1283
Location	Kg Bali, 25 km from the subject property	Kampar , 22 km from the subject property	Manong, 30 km from the subject property
Sales Price	RM 8,280,440	RM19,991,339	RM4,719,137
Date Of Sale	20.12.11	20.3.2012	6.6.2011
Land Area	63.958 ha	135.575 ha	40.485 ha
Tenure	99 year lease expired on 5.4.2093	Freehold	Freehold
Encumbrances	Charged by XYZ bank	Nil	Nil
Accessibility	Road frontage	Road frontage	Road frontage
Category of land use	Agricultural	Agricultural	Agricultural
No of holes	9-hole	18-hole	9-hole

The audited 2011 and 2012 income and expense statements for the subject property are as shown in Table Q3g and Table Q3h below:

Table Q3g: The audited income for the year 2011 and year 2012.

Income	31.12.2012 (RM)	31.12.2011 (RM)
1 Income fees	105,227	80,710
2 Member Dues -Golf	968,233	715,591
3 Member Dues -Social	68,665	57,588
4 Green fees	134,487	115,083
5 Cart Rentals	236,002	225,589

6	Range Fees	41,945	11,100
7	Convenient Cart -Food	15,987	15,731
8	Convenient Cart -Beverage	13,198	12,697
9	Club Storage	40,288	10,478
10	Locker Annual Rental	70,180	13,375
11	CCC Sales	17,891	19,017
12	Trail Fees	15,050	14,216
13	Pool Guest fees	10,580	10,348
14	Merchandise Sales	137,710	141,615
15	Dining Room Sales	270,202	254,602
16	Dining Beverage Sales	73,500	77,898
17	Banquet Room rental	40,122	27,745
18	Banquet Food Sales	258,674	174,175
19	Banquet Beverage Sales	137,208	116,699
20	Banquet Food - Tax Exempt	60,713	19,582
21	Banquet Beverage - Tax Exempt	21,672	14,031
22	Tournament Greens Fees	92,890	89,330
23	Tournament Cart Rentals	27,253	28,531
24	Tournament Food Sales	42,153	49,536
25	Tournament Beverage	23,050	25,907
26	Halfway House Food Sales	52,116	45,650
27	Halfway House Beverage Sales	13,191	13,315
28	Miscellaneous Income	64,166	67,347

Table Q3g: The audited operating expenses for the year 2011 and year 2012.

Operating Expenses		31.12.2012 (RM)	31.12.2011 (RM)
1	Property Tax	151,533	142,547
2	Insurance	62,346	36,184
3	General & Administrative	274,162	218,384
4	Clubhouse maintenance	320,143	186,006
5	Food & Beverage	419,078	354,588
6	Membership	18,084	21,394
7	Legal & Professional	20,903	15,500
8	Greens Fees	161,314	128,580
9	Course Maintenance	497,197	379,266
10	Carts	101,365	101,761
11	Range	13,459	11,417
12	Locker Room	91,343	71,652
13	Pro Shop	23,921	18,853
14	Pool	36,260	29,995
15	Tennis	12,852	2,737
16	Cost of Sales (merchandise, food, etc.)	423,784	346,148

The date of valuation is taken to be the date of inspection which was on 31st January 2013.

The capitalisation rate of interest in the subject property is 10%.

Based on the available data above, you are required to:

- (a) Value the subject property by using the comparative method (8 marks)
- (b) Value the subject property by using the income method (12 marks)
- (c) Give comments and your own opinion of value derived based on both methods above. (5 marks)

Q4 You have been approached by the SB Group Ltd to value the subject property for financing purpose. The subject property which is known as Lot No 567 Mukim of Minyak Beku, District of Batu Pahat, State of Johore is located within the State Forest Reserve. It is an on-going quarry and is located fronting Jalan Kuari and is about 25 kilometers from the Batu Pahat town.

Particulars of the property are as follows:

Land area	: 100 acres
Tenure	: Leasehold for 30 years expiring on 31/12/2035
Market Value of plant and machinery	: RM12,000,000
Granite reserve	: 188,000,000 tonnes as at December 2013

Production of aggregates in tonnes for the past five (5) years is as shown in Table Q4a below:

Table Q4a: Production of aggregates (tonnes) for the last 5 years

Types	2008	2009	2010	2011	2012
Aggregate 3/8"	28,000	44,000	50,000	56,000	29,000
Aggregate 3/4"	630,000	657,000	372,000	468,000	660,000
Aggregate 1"	23,000	33,000	43,000	50,000	23,000
Aggregate 2"	67,000	68,000	30,000	58,000	67,000
Aggregate 6" x 9"	45,000	47,000	39,000	46,000	45,000
Crusher runs	199,000	238,000	156,000	226,000	199,000
Quarry dust	213,000	252,000	149,000	222,000	213,000

The average prices of crushed stones over the last five (5) years are as shown in Table Q4b below:

Table Q4b: Average prices of crushed stones for the last 5 years

	2008	2009	2010	2011	2012
Average price (RM/tonne)	15.04	13.56	14.52	12.38	13.80

The average production cost per tonne is as shown in Table Q4c below:

Table Q4c: The average production cost

Types	RM/tonne
Blasting	0.82
Transportation	1.30
Royalty	1.15
Crushing	3.40
Administration	0.45

Type of buildings on site are as shown in Table Q4d below:

Table Q4d: Type of buildings on site

Buildings	Construction	Floor area (sf)
Office	2-storey of permanent construction of fair condition	8,200
Workshop	Open sided of steel portal frame of fair condition	12,000
Explosive store	1-storey of permanent construction of fair condition	560
Canteen	1-storey of permanent construction of fair condition	1,200
Guardhouse	1-storey of semi-permanent construction of fair condition	600

Comparable vacant land for alternative use in the area is RM60, 000 per hectare. It is assumed that the operating permit is renewable until the rock deposits are exhausted.

Capitalisation rate of interest of the subject property is at the range between 10% - 12%.

Based on the available data provided above, you are required to:

- (a) Value the subject property by using the profit method of valuation (15 marks)
- (b) Value the subject property by using the cost method of valuation (7 marks)
- (c) Propose your own opinion on method of valuation that is more appropriate to value the subject property. State reason (s) of the chosen valuation method. (3 marks)

- END OF QUESTION -