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UNIVERSITI TUN HUSSEIN ONN MALAYSIA

**FINAL EXAMINATION
SEMESTER II
SESSION 2018/2019**

COURSE NAME : ADVANCED REAL ESTATE
VALUATION

COURSE CODE : BPE 12503

PROGRAMME CODE : BPD

EXAMINATION DATE : JUNE / JULY 2019

DURATION : 3 HOURS

INSTRUCTION : ANSWER ALL QUESTIONS

THIS QUESTION PAPER CONSISTS OF FIVE (5) PAGES

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Q1 Malaysian Valuation Standards defines Market Value as follows:

“Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after a proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Explain each element of the definition according to the conceptual framework.

(25 marks)

Q2 Nano Development, a property developer wishes to acquire a potential development site of 5 hectares in Sri Gading, Batu Pahat. The propose site is zoned for mix development use and currently pending for planning approval from Majlis Perbandaran Batu Pahat (MPBP) for development of double storey shop office, double storey terrace houses and single storey terrace houses. There is a steady demand for houses in this area.

The following are information for the propose project development:

Types of development:	Selling Price
- 10 units Double storey Shop House	RM600,000/unit
- 30 units Double storey Terraced houses	RM350,000 /unit
- 50 units Single storey Terraced houses	RM250,000 /unit
Pre Development Cost:	
- Site preparation	RM100,000.00 per hectare
- Survey cost	RM300 per unit
- Cost of individual title	RM250 per unit
- Cost of building plan approval	RM220 per unit
- Cost of additional premium (conversion from agriculture to Building)	RM50,000 per hectare
Construction Cost:	
- Double storey shop office	RM300,000/uni
- Double storey Terraced houses	RM200,000 /unit
- Single storey Terraced houses	RM120,000/unit
Infrastructure cost	RM20,000 per/unit of houses
Contribution to government agency	RM3,000 per unit
Professional fees@ (from Construction cost & Infrastructure Cost)	5%

Management fee (for a period of completion of project 24 months)	RM20,000 per month
Cost of Estate Agency for selling of houses@	2%
Cost of finance 50% from construction and infrastructure cost for 1 year @ 8% per year.	
Developer profit's and Risk@	20%.

- (a) Advise the company on the price they can offer for the land, based on information given. (20 marks)
- (b) Discuss the discrepancies of the Residual Method of Valuation. (5 marks)

Q3 The comparison and cost methods are two traditional methods of valuation. Based on the description of properties as in **Figure Q3**:

- (a) Compute the value of the subject property using both traditional methods. (20 marks)
- (b) Explain which method is more reliable and accountable. (5 marks)

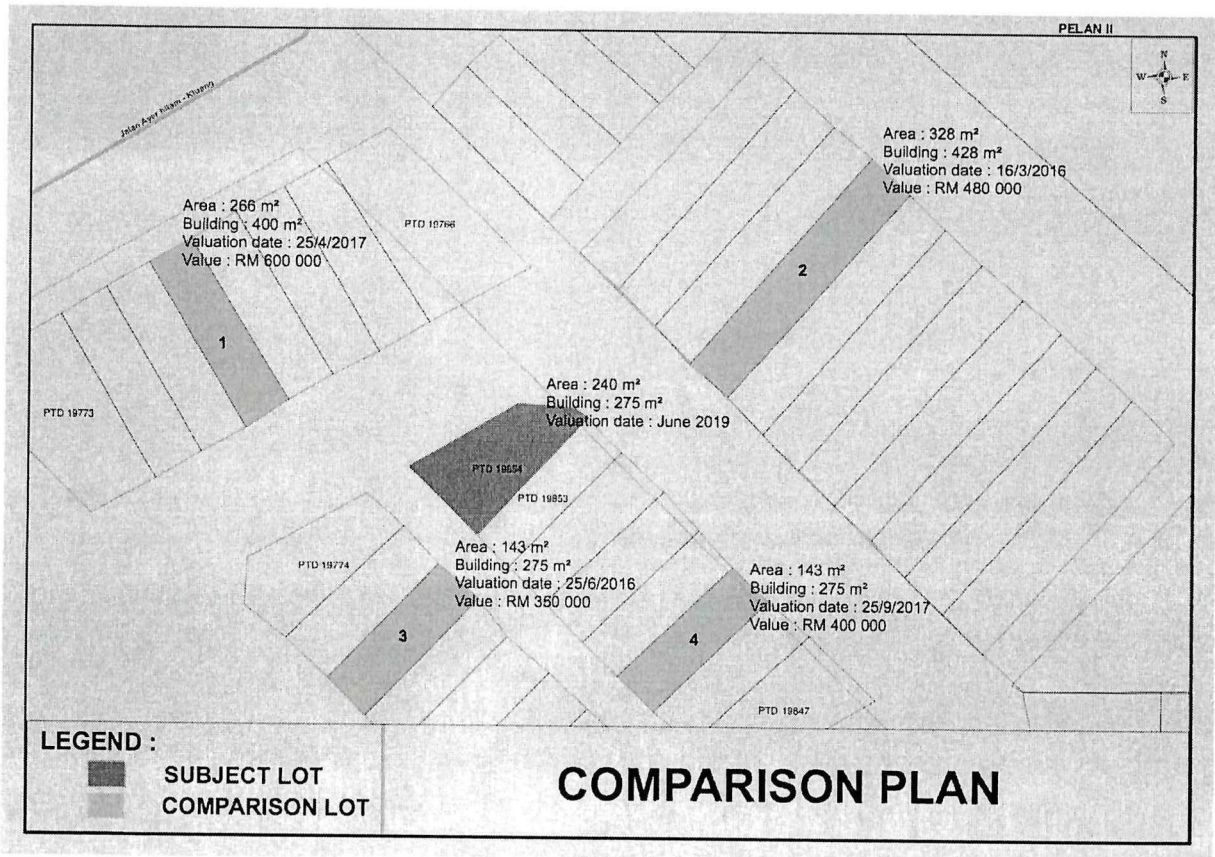


Figure Q3: Comparison Plan

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Q4 Two investment opportunities are available, with expected income flows as **Table Q4**:

Table Q4: Investment Opportunities

Year	Investment A	Investment B
0	-	-
1	RM 7,000	RM 6,000
2	RM 8,000	RM 6,000
3	RM 9,000	RM 9,000
4	RM 10,000	RM 9,000
5	RM 11,000	RM 12,000

Investment A may be purchased for RM125,000 and Investment B for RM120,000. In 5 years' time, the investment are expected to sell for RM175,000 and RM180,000 respectively.

The investor requires a 12 per cent return on capital.

Calculate the Net Present Value (NPV) of Investment A & Investment B at a discount rate of 12 per cent.

(25 marks)

- END OF QUESTIONS -

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