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**UNIVERSITI TUN HUSSEIN ONN
MALAYSIA**

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

COURSE NAME : SPECIAL REAL ESTATE
VALUATION

COURSE CODE : BPE 3353 / BPE 33503

PROGRAMME : 3 BPD

DATE : JANUARY 2011

DURATION : 3 HOURS

INSTRUCTION : ANSWER **FOUR (4)** QUESTIONS
ONLY FROM SIX (6) QUESTIONS.

THIS QUESTION PAPER CONTAINS NINE (9) PAGES

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- Q1 SHAB Sdn Bhd owns a timber concession in the Trengganu Tengah forest area. The concession is divided into four blocks, A, B, C, and D and the harvesting plan are on a rotation silviculture principle.

From a survey report done by a timber consultant, it is found that the volume of loggable timber taking a 45 cm dbh are as follows:

Block	Lofting period per cycle	Land area (ha)	Estimated volume (M3)
A	1 year	120	4,960
B	1 year	136	5,710
C	1 year	140	6,020
D	1 year	145	5,870
Total		541	

The compositions of timber species found in the concession are as follows:

Timber species	Block A	Block B	Block C	Block D
Merbau	32%	30%	30%	35%
Keruing	38%	37%	35%	30%
Kempas	13%	18%	19%	15%
Mengkulang	10%	8%	11%	10%
Other medium hardwoods	7%	7%	5%	10%

It is also estimated that the cost of extracting the timber in relation to the gross revenue will be as follows:

Concession premium	: 541 ha @ RM500 per ha
Deposit	: RM20,000 per block
Pre-felling operating costs (surveys and road construction)	: 7.2%
Log handling costs (felling, bucking, skidding, yarding, loading. Scaling, road maintenance, log-yard, delivery)	: 30%
Administrative overheads	: 5%
Interest on working capital and equipment	: RM750,000 @10%
Royalty payable at an average of	: RM10 per cubic metre of extracted timber
Cess tax	: RM10 per cubic metre of extracted

The existing market price of timber is as follows:

Timber species	Price (RM/m3)
Merbau	794
Keruing	587
Kempas	491
Mengkulang	528
Other medium hardwoods	412

Based on the available data above, SHAB has requested you to:
Value the timber concession for financing purpose.

(25 marks)

- Q2 Rex theatre is the owner of 4 cineplexes located on the second floor of a shopping complex in Batu Pahat Town. It occupies a total floor area of 815 sq. metres. Each Cineplex has 150 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 7 years and the property is freehold. The operator has sublet the snack kiosk at RM700 per month. Commercial floor space at this level and locality were sold in the region of between RM2, 500 and RM3, 500 per sq. m.

An analysis of the last 3 years trading accounts revealed the following:

Show time	Seating Capacity Cineplex				Ticket Price (RM)	Average Occupancy Rate (%) Cineplex			
	1	2	3	4		1	2	3	4
12.00 p.m	150	150	150	150	8.00	43	45	47	44
3.00 p.m	150	150	150	150	8.00	50	48	46	50
6.00 p.m	150	150	150	150	8.00	66	65	63	65
9.00 p.m	150	150	150	150	8.00	74	75	76	77
Saturday midnight	150	150	150	150	8.00	60	75	70	72
Sunday matinee	150	150	150	150	8.00	78	80	80	80

A 20% entertainment tax is levied on the ticket sales. Revenue from advertisement trailer is RM200 for every show.

The operating expenditure and the outgoings are as follows:

Nos	Items	Operating Expenses (RM)
1	Salary, wages, bonuses, EPF, Socso	182,000 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	4,000 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	12,000 p.a
11	Management	36,000 p.a
12	Interest on working capital	420,000 @ 10% p.a

Outgoings per annum are as follows:

Nos	Items	Outgoings (RM) p.a
1	Repairs (Internal & External)	60,000
2	Fire insurance	10,000
3	Assessment rates	15,000
4	Quit rent	5,000
5	Management	6,000
6	Service charge	104,000

The owner has requested you to value the cinema property for corporate purposes.

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

- (a) **Value** the subject property by using the income/profit method of valuation (15 marks)
- (b) **Value** the subject property by using the comparative method of valuation (7 marks)
- (c) **Propose** your own opinion of value derivation based on both methods above. (3 marks)

Q3 Lot No 567 Mukim of Ampang, District of Hulu Langat, State of Selangor is located within the Perang Forest Reserve. It is an on-going quarry and is located fronting Jalan Kuari and is about 25 kilometers from the City of Kuala Lumpur.

Particulars of the property are as follows:

Land area : 100 acres
 Tenure : Leasehold for 30 years expiring on 31/12/2032
 Market Value of plant and machinery : RM12,000,000
 Granite reserve : 188,000,000 tonnes as at December 2010

Production of aggregates in tonnes for the past five(5) years is as follows:

Types	2006	2007	2008	2009	2010
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 run	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 follows:

	2006	2007	2008	2009	2010
Average price (RM/tonne)	15.04	13.56	14.52	12.38	13.80

The average production cost per tonne is as follows:

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

Buildings on site are as follows:

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.

By using an appropriate method(s) of valuation, you are requested to:

Value the subject property for financing purpose.

(25 marks)

- Q4 Hanan Latex Bhd owns a plantation, which is located in the Bernam District of Selangor. The plantation is accessible for 20 kilometers via a secondary road from the nearest town. It is undulating in nature and is provided with proper maintenance, access together with drainage and irrigation system.

It is cultivated as follows:

Block	Acreage (Acre)	Plantation Material	Year planted
A	130	RRIM 600	1983
B	120	RRIM 500	1994
C	110	PB 50	1979

The production figures of RSS for the last three years are as follows:

Block	RSS Production (KG)		
	2010	2009	2008
A	128,000	129,000	130,000
B	115,600	110,000	108,000
C	94,000	95,000	100,000

The market price per kg RSS is RM 3.50. Production cost per kg. is 40% of the market price. Economic life for rubber is 30 years. Vacant land suitable for rubber cultivation is RM5,000.00 per acre. The land is under freehold title. Hanan Latex Bhd has requested you to value its property for financing purpose.

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

- (a) **Value** the subject property by using the comparable method (7 marks)
- (b) **Value** the subject property by using the income method (15 marks)
- (c) **Propose** your own opinion of value derivation based on both methods above. (3 marks)

Q5 You have been approached by the SB Group, Ltd, the owner of SHAB golf course to value their properties for financing purposes.

The subject property consists of an 18-hole private country club which includes a swimming pool (four lanes), outdoor tennis courts (four), a children’s playground – with wading pool, and ancillary golf course amenities like a driving range and putting green. The subject property is treated as being owned in fee simple, the actual ownership is structured around and Limited Liability Corporation (LLC). Currently the subject property has around 228 golf memberships (of those 110 are equity members) and 55 social members. The club’s goal is to have 250 golf memberships. A major aspect of the club is the Clubhouse.

The clubhouse is masonry constructed, in stages (circa 1940-1970). The golf course has 18 holes, some with multiple tees. It is well designed and excellently maintained with a double row irrigation system. It does not appear to be any safety issues associated with the golf course design. Land area is of 151.44 acres.

Transaction data on the properties are as follows:

Details	Sale no 1	Sale no 2	Sale no 3	Sale no 4	Sale no 5	Sale no 6
Location	SL Golf Course	DC Golf Course	Park District	RA Golf Course	RM Golf Course	SR Golf Course
Sales Price	3,190,000	3,000,000	1,400,000	4,127,000	3,000,000	3,000,000
Date of Sale	Jan-99	Aug-99	Sept-00	Nov-99	Oct-00	May-99
Land Area (acres)	208	144.31	50	160	173.14	237
Slope Rating	115 (ave)	122	113	127	109	121
Course Rating	69.5 (ave)	72.4	68	72	67.4	71
Yardage	6,558	6,755	3,200	6,859	5,991	6,103
Driving Range	No	Yes	No	Yes	No	No
Fees	19.00 w-day 26.00 w-end	19.00 w-day 25.00 w-end	8.00 w-day 9.00 w-end Cart: 6/person	33.00 / 38.00	23.00 / 30.00 (cart included)	32.00 / 39.00 (carts included)
Comments	A 27-hole located: southern suburbs. 1971 vintage.	An 18-hole located: southern suburbs. 1972 vintage.	A 9-hole located: southern suburbs. 1989 vintage.	An 18-hole located: northeast suburbs. Constructed in 1990	A 27-hole. Constructed in 1930.	An 18-hole Constructed in 1994.

The unaudited 2009 and 2010 income and expense statements for the subject property are as Table 5.1 and Table 5.2 below:

Table 5.1: The unaudited income for the year 2009 and year 2010.

Income	12/31/2010 (RM)	12/31/2009 (RM)	Ave. increase / decrease (%)
Income fees	95,227	70,710	34.7%
Member Dues -Golf	958,233	705,591	35.8%
Member Dues -Social	58,665	47,588	23.3%
Green fees	124,487	105,083	18.5%
Cart Rentals	226,002	215,589	4.8%
Range Fees	31,945	1,100	2804.1%
Convenient Cart -Food	5,987	5,731	4.5%
Convenient Cart -Beverage	3,198	2,697	18.6%
Club Storage	30,288	478	6236.4%
Locker Annual Rental	60,180	3,375	1683.1%
CCC Sales	7,891	9,017	-12.5%
Trail Fees	5,050	4,216	19.8%
Pool Guest fees	580	348	66.7%
Merchanise Sales	127,710	131,615	-3.0%
Dining Room Sales	260,202	244,602	6.4%
Dining Beverage Sales	63,500	67,898	-6.5%
Banquet Room rental	30,122	17,745	69.7%
Banquet Food Sales	248,674	164,175	51.5%
Banquet Beverage Sales	127,208	106,699	19.2%
Banquet Food - Tax Exempt	50,713	18,582	172.9%

Banquet Beverage - Tax Exempt	11,672	4,031	189.6%
Tournament Greens Fees	82,890	79,330	4.5%
Tournament Cart Rentals	17,253	18,531	-6.9%
Tournament Food Sales	32,153	39,536	-18.7%
Tournament Beverage	13,050	15,907	-18.0%
Halfway House Food Sales	42,116	35,650	18.1%
Halfway House Beverage Sales	3,191	3,315	-3.7%
Miscellaneous Income	54,166	57,347	-5.5%
Total Income	2,772,353	2,176,486	27.4%

Table 5.2: The unaudited operating expenses for the year 2009 and year 2010.

Operating Expenses	12/31/2010 (RM)	12/31/2009 (RM)	Ave. increase / decrease (%)
Property Tax	141,533	132,547	6.8%
Insurance	52,346	26,184	99.9%
General & Administrative	264,162	208,384	26.8%
clubhouse Maintenance	310,143	176,006	76.2%
Food & Beverage	409,078	344,588	18.7%
Membership	8,084	11,394	-29.1%
Legal & Professional	10,903		
Greens Fees	151,314	118,580	27.6%
Course Maintenance	487,197	369,266	31.9%
Carts	91,365	91,761	-0.4%
Range	3,459	1,417	144.1%
Locker Room	81,343	61,652	31.9%
Pro Shop	13,921	18,853	-26.2%
Pool	26,260	29,995	-12.5%
Tennis	2,852	2,737	4.2%
Cost of Sales (merchandise, food, etc)	413,784	346,148	19.5%
Total Expenses	2,467,744	1,939,512	27.2%

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

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

- (a) **Value** the subject property by using the comparable method (10 marks)
- (b) **Value** the subject property by using the income method (12 marks)
- (c) **Propose** your own opinion of value derivation based on both methods above. (3 marks)

Q6a The property development comprises a block of shops, in total 110 m frontage by 25 m depth (gross), with first floor offices 110 m by 25 m (gross).

The following information is also available:

Building period	:	2 years
Anticipated rents per sq.m (net:		
• Shops	Zone A	: RM520 (5 m depth)
• Offices		: RM230
Yield required	:	8.5%
Developer's profit	:	15% of Gross Development Value
Purchase price of land	:	RM 4,000,000
Acquisition costs	:	4% of purchase price
Finance is available	:	16% per annum

Maximum building costs should be expressed as RM X per sq.m (gross) on the assumption that the offices will cost 40% more per sq.m than the shops. Based on the available data above, you are requested to:

Calculate the maximum building costs permissible for the proposed development to be viable.

10 marks)

Q6b A housing developer wishes to purchase freehold land for RM1 500 000 to build 110 bungalows. The housing development scheme would take one year to complete and 30 bungalows could be sold after 6 months, a further 50 after 9 months and 30 on completion.

The following information has been established:

Incidental costs of land acquisition	:	4 % of purchase price
Gross floor area of each bungalow	:	82 sq.m
Building costs (including site works and contingencies)	:	RM550 psm (assume an even distribution over the building period)
Quantity surveyor's and architect's fees	:	10% of building costs (60% to be paid at commencement and 40% on completion)
Estate agency, legal fees etc.,	:	4% of sale price
Cost of financing	:	1% per month

The housing developer requires a pre-tax profit of RM750,000. By using a monthly cash flow, you are requested to:

Calculate the minimum selling price of each bungalow permissible for the development to be viable.

15 marks)

END OF QUESTION PAPER