



**UNIVERSITI TUN HUSSEIN ONN
MALAYSIA**

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

COURSE NAME : **ADVANCED REAL ESTATE
VALUATION**

COURSE CODE : **BPE 12503 / BPE 1253**

PROGRAMME : **1 BPD**

EXAMINATION DATE : **JUNE 2012**

DURATION : **3 HOURS**

INSTRUCTION : **ANSWER TWO (2) QUESTIONS
FROM SECTION A AND TWO (2)
QUESTIONS FROM SECTION B**

THIS QUESTION PAPER CONSISTS OF FIVE (5) PAGES

SECTION A (50 marks)

- Q1** A valuation report must convey to the reader a clear understanding of the opinion expressed by the valuer, the basis of the valuation used and the assumptions and information on which it is based.

Discuss the essential elements within the context of the above statement that constitute a good, quality valuation report as stipulated by the Malaysian Valuation Standards.

(25 marks)

- Q2** (a) The cost method of valuation provides for depreciation to be deducted from current reproduction or reinstatement cost of new building which represents the loss in value of older buildings.

Describe three types of depreciation that are normally accounted for in this method.

(10 marks)

- (b) A purpose-built biscuit manufacturing factory has a floor area of 30,000 sq. ft. and is situated on a 1.5 acres of land. The factory has an estimated life span of 90 years with 16 years remaining. Comparable vacant land in the vicinity was sold at RM10 per sq. ft. The modern replacement cost including fees for the factory is estimated at RM100 per sq. ft. Site improvements include chain link fencing, iron gate and pillars, premix driveway and landscaping with an estimated total cost of RM50,000.

Determine the market value of the property for inclusion in the biscuit manufacturing company's accounts.

(15 marks)

- Q3** (a) The profits method of valuation is used in circumstances where sufficient elements of legal monopoly or factual monopoly exist.

Explain the above statement using appropriate examples.

(10 marks)

- (b) A modern ten pin bowling centre was built about two years ago and is located on a retail and leisure park on the edge of a large town. The catchment population within a ten km radius is 300,000 and access by motorway and trunk road is excellent. The centre has 30 lanes, a licensed bar and restaurant, a shop, shoe hire facility, and a room with pool tables, amusement and gaming machines. There is no ten pin bowling centre in the same town, the nearest centre being some 50 km away.

Details of annual income and expenditure are as follows:

Income

Admissions	RM 60,000
Bowling income	RM 660,000
Licensed bar	RM 160,000
Catering	RM 170,000
Shoe hire	RM 70,000
Shop	RM 7,000

Expenditure

Wages	RM 300,000
Operating costs	RM 250,000
Bar	RM 60,000
Catering	RM 90,000

Based on the above information, calculate the market value of the above property for corporate purpose.

(15 marks)

SECTION B (50 marks)

- Q4** Encik Hassan owns a piece of freehold agriculture land, Lot 910 in the mukim of Benut, District of Pontian, Johor. The land area is 2.5 hectares and planted with coconut trees aged 15 years old. It is low lying and subject to flood during rainy season. The land is within Malay Reservation Area.

Encik Hassan intends to sell his land. You are instructed to carry out a valuation of the above property for sale purpose. Date of valuation is 1st June, 2012.

You have done a study of the sales evidence within the vicinity. **Table Q1** shows a list of available sales evidence in the same area.

Table Q1: Sales Evidences

Lot No.	Land Area	Date of Sale	Price (RM)	Remarks
110	2.3 hectares	10 Dec. 2011	350,000	Oil Palm Land. Aged 4 years. Freehold. Transacted between Mr. Ang and Madam Tee. Flood prone.
134	5,0 hectares	12 Feb, 2012	450,000	Coconut Land. Aged 10 years. Freehold. Sale between Mr. Raju and Encik Saleh. Not flood prone.
213	3.0 hectares	17 Ogos 2011	230,000	Coconut land. Aged 20 years. Freehold. Level land. Not flood prone. Sold to Puan Aminah from Encik Ahmad. Malay Reserved.
512	1,5 hectare	1 Mac 2012	150,000	Coconut Land, Aged 12 years. Freehold. Leasehold with an unexpired term 85 years. Sale between Encik Husin and Encik Hamid Not flood prone. Malay Reseved Land.
840	3.5 hectares	30 Nov. 2011	420,000	Oil Palm Land. Aged 10 years, Well maintained. Freehold. The sale was between Mr. Tan and Mr. Jonathan. Not flood prone.

(25 marks)

Q5 A 8- storey (Excluding Basement) purpose built office building is located in Batu Pahat. The land is freehold with an area of 0.8 hectare and the net floor area is 19,200 square meters. Parking Spaces for the tenants are provided at the two basement floors, whereas parking for the customers are provided around the building.

Information about the building for the year 2011 is as follows:

- Free Parking spaces for the tenants at the basements
- 150 parking bays for the customers with an income of RM20,000 a month
- Net area for each floor is 2,400 square meters
- Rate of rentals for the 1st – 3rd Floor is RM30 p.m.s.
- Rate of rentals for the 4th – 8th Floor is RM25 p.m.s.
- Void is at 15%
- Quit Rent is RM800 per annum
- Rate is RM150,000 per annum
- Insurance is RM 60,000 per annum
- Parking attendance and security - RM12,000 per month
- Bills - RM20,000 per month
- Management and service contract - RM80,000 pe annum
- Cleaning service - RM4,000 per month
- Miscellaneous - RM 100,000 per annum

You are required to value the building for Property Asset Management. Date of valuation is 15th May 2012.

(25 marks)

Q6 (a) Explain when you use the residual method of property valuation with example.

(8 marks)

(b) Explain how time is reflected in the residual valuation process.

(8 marks)

(c) Discuss the strengths and weaknesses of the Residual Method.

(9 marks)

END OF QUESTION PAPER