



**UNIVERSITI TUN HUSSEIN ONN
MALAYSIA**

**FINAL EXAMINATION
SEMESTER II
SESSION 2009/2010**

SUBJECT NAME : VALUATION FOR LAND
ACQUISITION

SUBJECT CODE : BPE 2303

COURSE : 2 BPD

DATE : APRIL / MAY 2010

DURATION : 2 HOURS 30 MINUTES

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

THIS QUESTION PAPER CONSISTS OF 7 PAGES

- Q1 You are acting both for the freeholder, Mr. Sayid and the leaseholder, Mdm. Hanan of an old factory of 500 square meter net, sited within the area and allocated for use as part of a library site. The factory is subjected to a lease with eight (8) years unexpired and the rent of RM10,000 per annum without review on tenant's internal repairing terms. The sinking fund and tax paid by the tenant are 4% per annum and 40 % per annum respectively. The current net full rental value is RM20,000 per annum.

Notice to acquire was served to both interests 2 years ago and possession of the leasehold interest was taken 6 months ago after Mdm. Hanan had moved to a new factory nearer the outskirts of the town, the only reasonable alternative. The factory has an area of 400 square meter net and the rent is RM22,000 per annum on full repairing and insuring terms.

Calculate compensation claims for:

- (a) Mr. Sayid's interest (A Freeholder's interest).
- (b) Mdm. Hanan's interest (A Leaseholder's interest).

(25 marks)

You may assume any reasonable data not provided.

- Q2 A factory building which is owned by Mr. Alexander and shown in Figure Q2 consists of two identical floors. It is held on a ground lease having 31 unexpired years to Mr. Hudson. The ground rent is RM 18,000 per annum with the sinking fund of 4% per annum and tax of 40% per annum. Mr. Hudson (leaseholder) runs a small manufacturing unit. It is estimated that the market rental value is RM 48,000 per annum for the entire factory.

The state highway department intends to acquire the front strip of land about 5 meters wide on the north side of the main road for road widening purposes. The ground rent for the portion to be acquired has been agreed at RM 3,000 per annum.

The front portion is used for loading and unloading purposes. It may assume the lorries will not be allowed to stand on the new road.

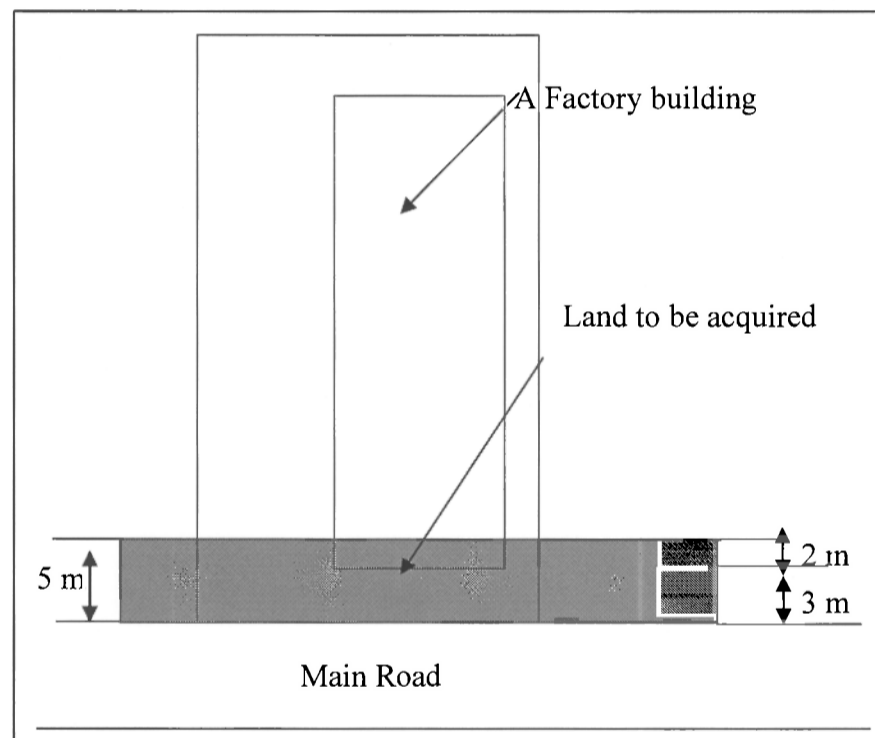


Figure Q2: A portion of land to be acquired.

Prepare a valuation for compensation claims for:

- (a) Mr. Alexander's interest.
- (b) Mr. Hudson's interest.

(25 marks)

You may assume any reasonable data not provided.

- Q3 A shop has a net frontage of 6 meters and a depth of 20 meters. There is also a private forecourt 3 meters deep and two floors of living accommodation set back above the shop. It is held on lease having five (5) years unexpired at a net rent of RM3,400 per annum. The private forecourt and the front 3 meters of the shop are to be acquired for road widening but the upper part will not be affected. Accommodation works to reinstate the shop front have been agreed.

Comparables would indicate a present net full rental value of RM200 per square meter for a zone A of 6 meters deep on the basis of two 6 meters zones and a remainder and "halving back".

Suggested apportionment of rent payable:

Estimated full rental value "before" :		
Zone A	6 m x 6 m x RM200	RM 7,200
Zone B	6 m x 6 m x RM100	RM 3,600
Zone C	6 m x 8 m x RM50	RM 2,400
Forecourt ,	say	RM 800
Upper part		<u>RM 2,000</u>
Full net rental value		<u>RM16,000</u>

Estimated full rental value "after" :		
Zone A	6 m x 6 m x RM200	RM 7,200
Zone B	6 m x 6 m x RM100	RM 3,600
Zone C	6 m x 5 m x RM50	RM 1,500
Upper part		<u>RM 2,000</u>
Full net rental value		<u>RM14,300</u>

Apportion of rent of RM3,400 p.a. :		
Part retained	$14,300/16,000 \times RM3,400$	say RM 3,040
Part taken	$1,700/16,000 \times RM3,400$	say <u>RM 360</u>
		<u>RM 3,400</u>

Prepare a valuation for compensation claims for:

- (a) A Freeholder's interest.
- (b) A Leaseholder's interest.

(25 marks)

You may assume any reasonable data not provided.

- Q4 Mdm. Amnah, the freehold occupier of a warehouse having 1,000 square meters of net usable space, has recently been served with a Notice to Acquire by the local authority.

Her gross annual profits from her business over the past 5 years have been:

Year 1 – RM17,000
Year 2 – RM17,500
Year 3 – RM17,500
Year 4 – RM18,000
Year 5 – RM18,000

Prepare a valuation for compensation claims on the assumption that:

- (a) Mdm. Amnah is unable to relocate elsewhere. (12.5 marks)
- (b) Mdm. Amnah has found alternative premises nearby, but the move means that her business will be closed down completely for a period of 10 weeks and, in consequence, she will lose permanently 20% of her customers. However, it is anticipated that the business will be operating at its former level of profit within three (3) years after the move. (12.5 marks)

You may assume any reasonable data not provided.

- Q5 The Land ABCD has been compulsorily acquired and a primary school is being built close to Black villa. A restrictive covenant in favour of Black Villa limits the use of the site to agricultural use. A vehicular right of way to Green Villa crosses its northern part and will be extinguished, as the land is essential for inclusion in the primary school site. (refer to Figure Q5).

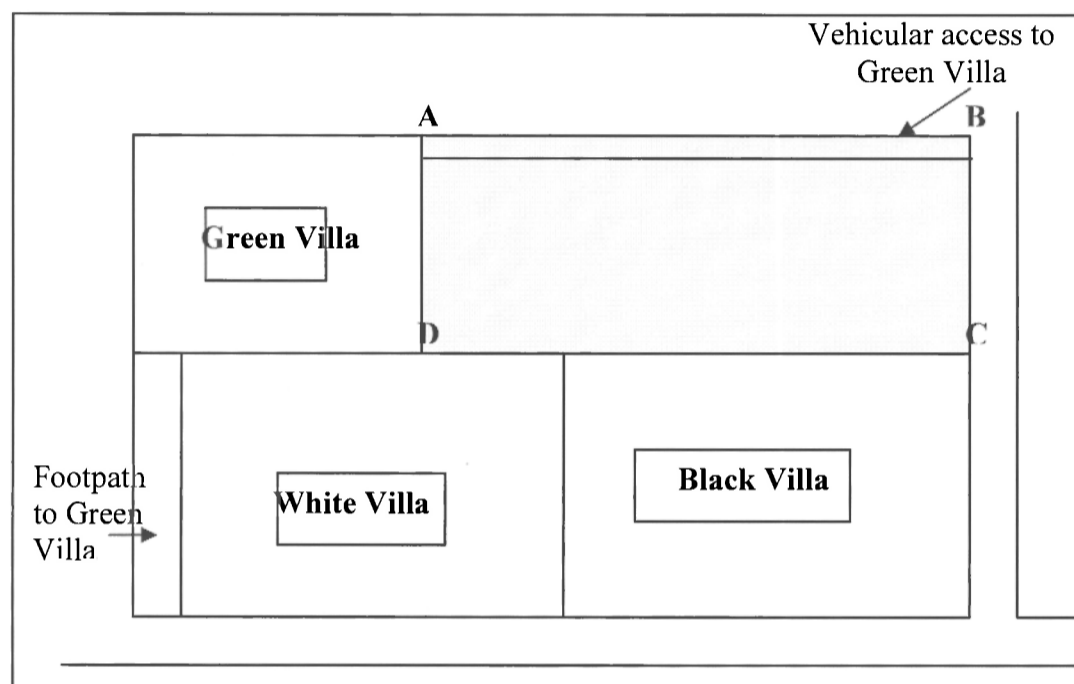


Figure Q5: A portion of land to be acquired.

Prepare a valuation for compensation claims for :

- (a) Freeholder of Green Villa for loss of right of access. (12.5 marks)
- (b) Freeholder of Black Villa for overriding a restrictive covenant. (12.5 marks)

You may assume any reasonable data not provided.

- Q6 A small corner back street shop with a residential upper part on two floors is to be acquired compulsorily for public open space purposes. The property has been occupied for 10 years by Mr. Steven, who lives in the upper part and carries on a small grocery business from the shop.

The rent payable for the whole is RM1,500 per annum exclusive on an internal repairing lease having 10 years unexpired without review. The sinking fund and tax paid by Mr. Steven are 4% and 40 % per annum respectively. The full rental value of the property is RM6,000 per annum net of which RM5,000 is attributable to the shop.

The accounts show that the outgoings for the upper part have been deducted as well as the rent of RM1,500 for the whole premises.

Other relevant details are:

The net profit after deducting mortgage interest of RM400, repairs RM360 and business rates of RM920 is RM22,000. The figures for repairs relate to the whole structure and rates to the business part only. No deduction appears for the owner's or services from Mr. Steven's wife as she works about 10 hours a week in the shop. There is no suitable alternative shop premise available and the acquiring authority agrees that this is a total extinguishment case.

Prepare a valuation for compensation claims for the Mr. Steven's interest.

(25 marks)

You may assume any reasonable data not provided.

END OF QUESTION PAPER