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OBAFEMI AWOLowo UNIVERSITY

FACULTY OF ENVIRONMENTAL DESIGN AND MANAGEMENT

DEPARTMENT OF ESTATE MANAGEMENT

2011/2012 RAIN SEMESTER EXAMINATIONS

Bsc. Estate Management, Urban and Regional Planning and Quantity Surveying.

COURSE TITLE: **ESM 202 – INTRODUCTION TO VALUATION II.**

INSTRUCTION: Answer questions ONE and any other TWO. All questions carry equal marks. Assume and state any data relevant to a full answer. Assume Freehold rate is 7%, sinking fund is 3% and 40k tax. A neat work will be appreciated. Please show all your workings inside your booklet,

TIME ALLOWED: 2 Hours 30 minutes.

1. Princess Chime Chika has a freehold interest in a residential property located in Akinsola street, Victoria Island, Lagos. In 2006, she granted a 16 years full repairing and insuring lease to Mallam Iflori Adewale at a rent of #3 000,000,p.a for half of the term and #3,500,000 p.a for the remainder. While in occupation for 5years, Mallam Iflori granted a sublease to Elder Ajulo Christopher for 9years on full repairing and insuring terms. The rent reserved was #4,000,000 p.a rising by #1,000,000 after the first 5years. Exactly a year ago, Elder Ajulo Christopher sublet the property to Mr Akande Ayodeji for the rest of the term less one day at a rent of #6,000,000 p.a on full repairing on insuring conditions. A similar freehold property which was let at #6,000,000 p.a in 2010 for 8 years has just been sold for #720,000,000 while it has been established that this type of property is worth #7,000,000 p.a. The subject property is now a subject of acquisition for redevelopment. You have been assigned to advise on the Capital Value of all the interests hold by the parties. 20 marks

2. a. Differentiate between Annual Equivalent, Cost-in use and Virtual/ Sitting Rent 6 marks.

2,b. Senator Hanafi, your client who is a developer is considering three alternative block of flats design proposals, the result of which are contained in the table below. Advise by means of cost-in-use analysis on which option is the most cost effective of the three.

Description	Design Option X	Design Option Y	Design Option Z
Site Acquisition Cost	#3,000,000	#4,000,000	#6,000,000
Anticipated life of building	60 years	30 years extended by 30 years due rebuilding	60 years
Initial Development Cost	# 4,600,000	#4,000,000	#4,500,000
Redevelopments	#50,000,000 in 30 years time	#60,000,000, in 30 years time	Nil
Future replacement of certain parts/services	#3,000,000 after 20 years and 40 years	#5,000,000 after 15 years and 45 years	#10,000,000 after 20 years and 40 years
Discount rate	6%	6%	6%
Annual sinking fund	3%	3%	3%
Annual Running Costs			
-Electricity			
-Clearing	#420,000	#500,000	#550,000
-Maintenance	#580,000	#450,000	#600,000
	#850,000	#700,000	#900,000

14 marks

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3. a., Write a short note on the following

- (i) Term & Reversion
- (ii) Layer Model
- (iii) Hard Core Approach

6 marks

b, A freehold office premises was let 2 years ago on full repairing and insuring lease for a period of 10 years. It was agreed that the rent for the first 6 years would be #400,000 p.a and the remainder #600,000 p.a. The property was sublet to a sub-lessee who occupies the property for the same term paying a rent of #700,000 for the first 6 years and #800,000 for the rest of the term. Value the subsisting interests given a market rent of #1,000,000 p.a.

14 marks

.3. a. Discuss the Concept of Marriage Valuation

5 marks

b. Jonathan holds a freehold interest in a property, located at Suite 40, Oluyole Industrial Estate, Ibadan. The rack rent of which is #650,000 p.a on full repairing and insuring lease. Five years ago, Jonathan granted a 15 years lease to madam Araba in consideration for a sum of #300,000 p.a on full repairing and insuring lease terms. On the same vein, Araba made a sublet to Odeyemi 3 years ago at a rent of #400,000 p.a also on similar terms for a period of 10 years.

(i) You have been duly commissioned to advise all parties.

10 marks

(ii) If madam Araba wishes to purchase the property, how much should she offer for the interest of Jonathan and Odeyemi.

2½ marks

(iii) Also Advise Jonathan and Odeyemi on what to accept.

2½ marks

5. a. Write a short notes on the following terms

- (i) Purposes of Valuation. 2 marks
- (ii) Profit Method of Valuation. 2 marks
- (iii) Comparative Method of Valuation. 2 marks
- (iv) Valuation Tables. 2 marks
- (v) Premium. 2 marks

b. Royal Castles Limited, holding a lease of an office premises on a full repairing and insuring lease for 20 years, which was granted in 2000, desires to surrender its lease and wishes to obtain a fresh lease at the same rent passing. Meanwhile, the rack rent for the proposed lease is envisaged to increase by half, while the term is envisaged to decrease by half of the present term. The rent reserved under the present lease is #4,000,000 p.a. and the market rent is presently put at #6,000,000 p.a.

You are required to determine what premium that can reasonably be advanced.

10marks

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