

OBAFEMI AWOLowo UNIVERSITY, ILE-IFE
FACULTY OF ENVIRONMENTAL DESIGN AND MANAGEMENT
DEPARTMENT OF ESTATE MANAGEMENT
2010/2011 RAIN SEMESTER EXAMINATIONS
COURSE TITLE: ESM 302 – Principles of Valuation 11.

INSTRUCTION: (i) Answer **Question ONE** and any **other TWO**.
(ii) **TIME ALLOWED: 2 Hours**

- 1) **OLEDARUN PT3 ESM10/11 CHARITY** is considering the purchase of the head leasehold interest in a shop located in a good central shopping area. The head lease has 13 years to run at a rent of 44100,000 per annum on full repairing and insuring terms.
- The property is sublet for the same term as the head lease, less 3 days. The rent is currently 44150,000 per p.a. on full repairing and insurance terms, with one rent review on open market value in 5 years' term.
- Similar shops let recently on full repairing leases indicate that the current rental value is 44200,000 p.a. with 5 yearly reviews and yield on freehold let at a full rental value is 6 %.
- Value the head leasehold interest and advise **the** investor as to the internal rate of return which the investment can be expected to produce (30 marks).
- 2) Explain with the aid of relevant examples, the principles involved in the following valuations/terms:
- Probate valuation
 - Oil spillage valuation
 - Site value rating
 - Tone of the list
 - Notice to Treat. (15 marks).
- 3) An eight storey commercial building in a state capital has a total floor area of 3,000m². The premises of the subject property is tastefully landscaped at a cost of N5 million, but has a market appeal of N500,000 in the neighbourhood. A borehole with overhead tanks amounting to N1,000,000 is provided in the premises. The site area on which the subject property stands is N7,000m². The owner of the property with a 99 year statutory right of occupancy has just paid 4415,000 annual ground rent to the state government. The subject property has a perimeter fence wall of about 850m length.
- Analyses of market indicates that cost of similar but new buildings are ranging from N45,000 to N60,000 per M². The site was acquired fifteen years ago at a cost of N20,000. The lettable space is assumed to be 10 percent less than the gross floor area for this type of property. The current rentals per m² for similar properties range from between 44100,000 and N120,000 in the neighbourhood. Besides, the current value of the site for the subject property in its alternative use is estimated to be about N20 million while the existing use value of the site is N5million. The fence wall is 4435,000 per /m run.