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FACULTY OF ENVIRONMENTAL DESIGN AND MANAGEMENT

DEPARTMENT OF ESTATE MANAGEMENT

2010/2011 HARMATTAN SEMESTER EXAMINATION

COURSE TITLE: ESM 403-ESTATE AND DEVELOPMENT FINANCE TIME ALLOWED: 2HRS,30MINS

INSTRUCTION: Answer ~~Four~~ questions only, at least ~~one~~ from each section

1. REALCO Properties, a property development outfit based in Ibadan wishes to construct a shopping complex on 3 acres of land along new life road. The project estimated to gulp 200 million Naira is to be financed partly through loan. Discuss five possible sources through which the project can be financed. (15 marks)
2. Describe five of the development agencies that are involved in property development in Nigeria and their mode of operation. (15 marks)
3. In granting loan to property developer, certain criteria are usually put into considerations by lenders. Discuss in details with illustrated examples five of such criteria. (15 marks)
4. 'Aspiring developers are faced with issues that conditioned the climate for lending'. Discuss (15 marks)

Section B

5. (a) A property has recently been purchased through debt finance for ₦20,000,000.00. Full rental value is ₦5 million and is expected to be received two years in advance at the first instance and then to increase by 20 per cent every two years. Interest charges on debt finance are 21 per cent. Calculate the loan amortization period. Would a Nigerian commercial bank, whose maximum acceptable loan amortization period is about 6 years, find this kind of a project acceptable? (10 marks)
(b) What if the bank required equal annual loan amortization paybacks rather than the above position where the payback depends on variable amount of rent collected. Determine how much the borrower would have to pay back in equal installments in six years. (5 marks)
- 6 (i). Distinguish between debt and equity sources of development finance (5 marks)
(ii) Distinguish between direct and indirect sources of development finance (5 marks)
(iii) Explain the terms securitization and unitization (5 marks)

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