



UNIVERSITY  
OF  
JOHANNESBURG

Department of Finance and Investment Management

# Property Valuation and Management A / Fixed Property A

ADPVM01/BPIF008/S3BPIQ8

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## LAST ASSESSMENT

June 2016

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Time: 2 hours

Marks: 100

Assessor: Mr A Kruger

Moderators: Mr LJ Aldum

### INSTRUCTIONS:

- This paper consists of 5 pages.
- Answer ALL questions in the **answer book** provided.
- Silent, non-programmable calculators may be used, unless otherwise instructed.
- Where applicable, show all calculations clearly.
- Answers with Tippex and in pencil will **not** be marked.
- Scratch out all open spaces and empty pages.
- All the best.

Question	Topic	Marks	Time
1	Objective test questions – various topics	25	30 minutes
2	Market and Marketability Analysis	30	36 minutes
3	Land and Site Analysis	20	24 minutes
4	Improvement Analysis	25	30 minutes
		<b>100</b>	<b>120 minutes</b>

## QUESTION 1

[25 marks]

### REQUIRED:

Select the correct option by crossing (✖) the appropriate letter on the answer sheet in the answer script.

- 1) Stocks are?
  - a. A punishment for bad valuers
  - b. A lending instrument
  - c. A low-risk, high-yield investment
  - d. An ownership interest in a company (i.e., shares)
  
- 2) A land contract, also known as a conditional sales contract or instalment sales contract, is?
  - a. A sale of real property where the seller finances the sale and transfers the rights in realty
  - b. A sale of real estate with the seller financing the sale but retaining the deed until the loan is paid off
  - c. A purchase agreement with many conditions on it
  - d. A sales contract with a mortgage loan
  
- 3) A district is?
  - a. An area within a neighbourhood where all the properties are vacant
  - b. A type of neighbourhood that is characterized by homogeneous land use
  - c. Delineation of zoning classifications
  - d. An area where city attorneys reside
  
- 4) A mortgage is a?
  - a. Document that makes a borrower promise to repay the money
  - b. Document that gives the interest rate and terms of a loan
  - c. Pledge of collateral for a real estate loan
  - d. Pledge of collateral for a car loan
  
- 5) A neighbourhood is?
  - a. A residential suburb
  - b. An area with similar zoning and density
  - c. A group of complementary land uses
  - d. An area with homes of the same price
  
- 6) Economic influences include all of the following except?
  - a. Occupant income levels
  - b. Crime levels
  - c. Property rent levels
  - d. Property value levels
  
- 7) Market area life cycles include?
  - a. Growth, stability, decline, and revitalization
  - b. Growth, stability, decline, and gentrification
  - c. Growth, stability, appreciation, and decline
  - d. Growth, level off, appreciation, and decline

- 8) Neighbourhood social influences include all of the following except?
- Population density
  - Occupant skill levels
  - Occupant age levels
  - Vacancy rates
- 9) A trade area is?
- An area where property owners trade rather than sell the properties
  - A geographic area from which a retail centre will draw its customers
  - An area where the owners-inhabitants are generally employed
  - An area where an office building owner will trade tenants with other office building owners
- 10) Governmental influences include all of the following except?
- Tax burdens
  - Special assessments
  - Zoning, building, and housing codes
  - Changes in property use
- 11) Linkages are?
- The devices used to change a property from one use to another
  - A geographic area from which a retail centre will draw its customers
  - An area where the owners-inhabitants are generally employed
  - The tools necessary to market real estate
- 12) Highest and best use?
- Is specified by the client
  - Must be considered in all valuations
  - Includes two parts when the property is improved, the highest and best use as though vacant and the highest and best use as improved
  - Assumes demand for the property within the existing or proposed use
- 13) The three approaches to value are?
- Market analysis, market consensus of opinion, and market research
  - Sales extraction, cost replication, and income multiplication
  - Sales comparison, cost, and income capitalization
  - Graphic analysis, linear regression, and statistical analysis
- 14) The date of the value opinion is?
- The first date the valuer was on site
  - The last date the valuer was on site (i.e., inspection date)
  - The date stipulated by the client
  - The date the valuer received the order
- 15) The valuation technique in which the income a property earns is considered is?
- The income capitalization approach
  - The sales comparison approach
  - The cost approach
  - None of the above

- 16) Land valuation techniques include?
- Subdivision development, depreciated cost, consensus
  - Sales comparison approach, consensus, extraction
  - Sales comparison approach, allocation, extraction
  - Assessment multipliers, assessor's opinions, multiple regression multipliers
- 17) The valuation technique in which land and building are valued separately?
- The income capitalization approach
  - The sales comparison approach
  - Linear regression
  - The cost approach
- 18) Land value can be estimated using all the following techniques except?
- The sales comparison method
  - The cost method
  - The income method
  - The allocation method
- 19) In the valuation process, defining the value estimated is included in the?
- Definition of the problem section
  - Preliminary analysis and data selection and collection
  - Highest and best use analysis
  - Land value opinion
- 20) A valuation is made as of a specified date to?
- Establish the due date of the fee
  - Prove that the valuer inspected the property
  - Satisfy the requirements of the client
  - Indicate the date when the buyer agreed to purchase the property
- 21) Data requirements for a valuation assignment are set by the?
- Client
  - Valuer
  - Competition Nature of the problem
  - Type of property
- 22) Unit of comparison ratios?
- Allow valuer's to not make adjustments for size differences
  - Allow for meaningful comparisons of seemingly poor data
  - Usually assimilate the market thinking and behaviour of typical buyers
  - All of the above
- 23) One reason to estimate the highest and best use "as though vacant" and "as improved" is?
- To increase the size of the report, which increases the fee?
  - It necessitates a land value estimate for analytical purposes
  - To allow estimating physical depreciation
  - To recognize when the improvements should be razed

- 24) Competitive supply sources for housing include?
- a. Rental units
  - b. Houses for sale
  - c. Houses that will be for sale
  - d. All of the above
- 25) Which is the final step of the valuation process?
- a. Final reconciliation and estimate the single value estimate
  - b. Final reconciliation and determine range or single estimate
  - c. Complete a report with the defined value
  - d. Application of the three approaches to value

## **QUESTION 2**

**[30 marks]**

In a marketability study, the valuer investigates how a particular property will be absorbed, sold, or leased under current or anticipated market conditions. To achieve this, the marketability study must answer a number of questions. Identify and discuss the questions that need to be answered in a marketability study illustrate your answer by referring to the residential property you used in your practical assignment.

## **QUESTION 3**

**[20 marks]**

Use the property you valued in the practical assignment to discuss how the general conditions of title, applicable to a specific site, influence the value of the site.

## **QUESTION 4**

**[25 marks]**

Describe and explain the building elements, of the property used in the practical assignment, which should be included in the inspection of the exterior of the improvements.

**TOTAL**

**100 MARKS**