



UNIVERSITY  
OF  
JOHANNESBURG

**Department of Finance and Investment Management**

**Advanced Property Valuation & Management A**  
**PVM8X01**

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**SUPPLEMENTARY ASSESSMENT**

**June 2019**

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**Time: 3 hours**

**Marks: 150**

**Assessor:** Mr A Kruger

**Moderator:** Mrs M Chetty

**INSTRUCTIONS:**

- The paper consists of 19 pages (front page included).
- Silent, non-programmable calculators may be used.
- Clearly show all calculations.

Question	Topic	Marks	Time
1	Multiple choice questions	50	60 minutes
2	Valuation for land restitution	50	60 minutes
3	Valuation of hospitals/clinics	50	60 minutes

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150

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180 minutes

## **QUESTION 1**

**(50)**

### **REQUIRED:**

Select the correct option by shading (●) the appropriate letter on the answer sheet.

- 1) Which of the following is not used to classify residential properties?
  - a. Time share
  - b. Full title
  - c. Sectional title
  - d. Size and age
  
- 2) What should not be included in inspection of exterior superstructure?
  - a. Roof and drain system
  - b. Ventilation
  - c. Piles and columns
  - d. Insulation
  
- 3) Which of the following is not a data process?
  - a. Data collection
  - b. Data control
  - c. Data organisation
  - d. Data analysis
  
- 4) Details about the property being appraised, comparable sale and rental properties, and relevant local market characteristics are?
  - a. Specific data
  - b. General data
  - c. Competitive supply and demand data
  - d. Property data

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- 5) Which is not a local economic trend?
- a. Change in population
  - b. Change in wage rates
  - c. Change in household income
  - d. Change in interest rates
- 6) Population, wage rates, net household formation are an example of which trend?
- a. International Trends
  - b. Local Economic Trends
  - c. National Trends
  - d. Economic trends affecting rural land
- 7) ..... costs can alter the quantity and character of demand in the real estate submarkets?
- a. Construction Costs
  - b. Services Costs
  - c. Trend Costs
  - d. Supply and Demand Costs
- 8) A market characterized by growing demand, a corresponding lag in supply, and an increase in prices:
- a. Weak market
  - b. Active market
  - c. Buyer's market
  - d. Sellers market
- 9) The point in a property's life when it has reached a level of utility commensurate with supply and demand:
- a. Stabilization
  - b. Market segment
  - c. Fundamental point
  - d. Economic point

- 10) Interior description involves?
- Electrical systems
  - Attached equipment
  - Air conditioning and ventilation
  - Painting decoration and finishing
- 11) Which one is not a basic conditions that needs to be met when establishing a township?
- Restrictive title deed conditions must be cancelled
  - The necessary servitudes must be registered.
  - If the land is proclaimed mining land, it must either be de-proclaimed or reserved for township purposes.
  - a 600m<sup>2</sup> park must be provisioned for.
- 12) The purpose for which an urban property may be used is controlled by?
- The government
  - The owner
  - Town planning scheme
  - The local municipality
- 13) Which is not included in the contents of a town-planning scheme?
- Provisions contained in scheme clauses;
  - Description of the land to which the scheme relates;
  - The local recommended builders number
  - The scheme maps, annexures or schedules in respect of the land to which the scheme relates.
- 14) Which of the following are elements of a building description?
- Site size and shape; or
  - The building size, plan and construction; or
  - Excess land and surplus land; or
  - All of the above.

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- 15) Major equipment and mechanical systems include which of the following?
- a. The plumbing and electrical system; or
  - b. The heating; ventilation and air conditioning system, plumbing and electrical system; or
  - c. Property product analysis as well as the heating; ventilation and air conditioning system; or
  - d. None of the above.
- 16) The conclusion of highest and best use should be clearly stated in terms of:
- a. Use(s)
  - b. Timing for use(s)
  - c. Market participants
  - d. All of the above
- 17) Which of the following situations are not addressed in identifying and testing highest and best use?
- a. Single use
  - b. Mixed uses
  - c. Special-purpose uses
  - d. Communal use
- 18) Which one of the following is NOT one of the four steps applied to develop adequate support for the appraiser's highest and best use:
- a. Maximally productive
  - b. Financially feasible
  - c. Physically possible
  - d. Maximally profitable
- 19) With any improved property, there are three possibilities that must be considered:
- a. Demolish and redevelop
  - b. Do not continue existing use
  - c. Modify
  - d. Continue existing use

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- 20) A valuer is asked to prepare an opinion of market value for a property without having access to the interior of the residence. This valuation
- a. Has been limited by the definition of value
  - b. Has been limited by the amount of the fee
  - c. Is unethical and potentially misleading
  - d. Is limited by the scope of work
- 21) Important characteristics of a new subdivision includes:
- a. Zoning, infrastructure
  - b. Private planning for growth
  - c. Public trends
  - d. Home restrictions
- 22) A good's capacity to satisfy human desires or needs is known as?
- a. Creative demands
  - b. Utility
  - c. Functional obsolescence
  - d. Effective demand
- 23) Which of the following approaches is not part of the approaches to value?
- a. Cost
  - b. Renting property
  - c. Sales comparison
  - d. Income capitalization
- 24) Which party does the landlord look to for payment of rent in a sublease arrangement that does not have any other agreement in place?
- a. The sublessee
  - b. The grantor
  - c. The lessee
  - d. The government

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- 25) Which of the following is not an appropriate market/marketability analysis for the valuation problem?
- a. Trend analysis
  - b. Economic base analysis
  - c. Feasibility analysis
  - d. Market and marketability studies
- 26) Land valuation techniques include?
- a. Subdivision development, depreciated cost, consensus
  - b. Sales comparison approach, consensus, extraction
  - c. Sales comparison approach, allocation, extraction
  - d. Assessment multipliers, assessor's opinions, multiple regression multipliers
- 27) Raw land is:
- a. Land on which no improvements have been made
  - b. Land in its unnatural state
  - c. Land that has been improved
  - d. Information on the characteristics (physical) of the site
- 28) The value of a property to a particular user is known as?
- a. Market equal to cost
  - b. Value in exchange
  - c. Use value
  - d. Leasehold value
- 29) Environmental considerations include which factor amongst others:
- a. Lack of air quality
  - b. Local climate
  - c. Unavailability of satisfactory water supply
  - d. No pattern of drainage

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- 30) The conclusion of the highest and best use should not be stated in terms of...?
- a. Uses
  - b. Buyers and tenants
  - c. Timing for uses
  - d. Market participants
- 31) Which of the following affects real estate supply?
- a. Purchasing power
  - b. Desire for real estate
  - c. Current interest rates
  - d. New construction activity
- 32) Which of the following statements is correct with regard to real estate markets?
- a. Supply and demand are always in balance.
  - b. Supply reacts more slowly to changes in the market than demand.
  - c. Price and value are never similar.
  - d. Demand reacts slowly to market changes.
- 33) 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
- 34) When a property is not what the market demands, this may violate which economic principle?
- a. Anticipation
  - b. Opportunity cost
  - c. Conformity
  - d. Regression



- 35) Real property consists of?
- a. Rights in property
  - b. Land and all improvements thereon
  - c. The right to use or occupy property
  - d. Single-family residences
- 36) 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
- 37) In a market value appraisal, land use regulations
- a. Must be researched
  - b. Can be researched
  - c. Should be researched
  - d. Can be ignored if the owner makes a request
- 38) Servitudes are another division of property rights. They usually give the right?
- a. To cross over another person's property without permission
  - b. To access the property to perform a specific service
  - c. To use the property during the term of the lease to a tenant
  - d. To re-enter the property if the payments are not made on time to a lender
- 39) Investment value is best measured by?
- a. Market price to a specific investor
  - b. Market value to a specific investor
  - c. The cost of acquiring a competitive substitute property with the same utility to a typical purchaser
  - d. The present worth of anticipated future benefits to a specific investor

- 40) The first step in the valuation process is
- Identification of the appraisal problem
  - Application of the approaches to value
  - Review of market data
  - Selection of an appropriate unit of comparison
- 41) Real property includes?
- Any and all building on the subject site
  - All interests, benefits and rights inherent in the ownership of property
  - The physical land and improvements affixed to the land
  - Property that is not artificial
- 42) Market area life cycles include?
- Growth, stability, decline, and revitalization
  - Growth, stability, decline, and gentrification
  - Growth, stability, appreciation, and decline
  - Growth, level off, appreciation, and decline
- 43) Which of the following is an example of a municipal land use regulation?
- A lease document signed by the owner and lessee
  - A city zoning ordinance
  - A city ordinance regulating automobile speed limits on the adjacent street
  - A national law focused on employment contracts
- 44) A lender asked a valuer to prepare a valuation report on a 2.2-acre site with a proposed single-tenant industrial building. The lender requested a value estimate as of today, which the valuer provided via comparison with vacant land sales. The lender also requested a value opinion as if the structure were completed. This is an example of
- An extraordinary assumption if the date of appraisal is today
  - A hypothetical condition if the date of appraisal is one year from now
  - An unethical appraisal because the building is not in place
  - A hypothetical condition if the “as completed” value is dated as of today

- 45) A lease?
- Must be for at least one year
  - Conveys the right of occupancy to another
  - Must include the landlord paying the taxes
  - Does not affect the valuer since it does not affect the saleable interest
- 46) 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
- 47) A valuer is developing a real property valuation for a local bank for an improved, owner-occupied restaurant property. The restaurant is a sit-down, white-tablecloth operation with an expensive menu. The owner/applicant thinks his property value is enhanced because of the success of his restaurant within the facility due to his superior menu, so he makes a pitch to the valuer about gross income from food sales. This owner is
- Correct in his pitch because the success of the business will enhance the property value
  - Correct in his pitch only if the business shows long-term income growth from food sales
  - Incorrect in his pitch because food sales income is considered to be too speculative and difficult to value
  - Incorrect in his pitch because the owner is confusing the real estate value with the intangible (business enterprise) value
- 48) The right of government to take private property for public use with payment of just compensation is known as
- Escheat
  - Condemnation
  - Titular ownership
  - Expropriation

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- 49) Which of the following items are usually classified as real estate?
- a) Furniture in an occupied house
  - b) Plumbing fixtures in an occupied house
  - c) Trade fixtures in a factory
  - d) Beds and other furniture in a hotel
- 50) Gentrification is?
- a) A class of citizen who live in blighted areas
  - b) A process in which older homes in a neighbourhood are remodelled and different residents replace the lower-income residents
  - c) A group of complementary land uses
  - d) A part of the life cycle of a market area in which property values are stable and the maintenance levels are adequate

## QUESTION 2

**[50]**

Expropriation without compensation is all over the news and has some South Africans optimistic and others pessimistic. Valuers should realise that they are right in the middle of the conundrum. The article below provide an over view and some comments from opinionated citizens.

### **Required:**

What is you view regarding expropriation without compensation for land restitution and how will this affect your opinion of value when asked to value the parcel of land indicated in figures 1 and 2. Your view must be argued and motivated in detail, expressing your view in one sentence is not enough.

## The Big Land Debate: Should there be expropriation without compensation?

2018-02-28 15:30

# news24



Masixole Feni, GroundUp

The motion in Parliament on Tuesday to go ahead with amending the Constitution to expropriate land without compensation led to a national debate.

Some constitutionalists believe it will be highly controversial to deprive people of their property rights, the agriculture sector expressed concern about how this will influence farmers and food security, and ordinary citizens say they fear the confiscation of their property under such an amendment.

But advocates of land expropriation say that this is an important step in redressing past injustices and redistributing the means of production to those who were dispossessed in the past.

Here is what experts, political commentators and readers had to say.

### **Phephelaphi Dube, CFCR: Political will, not constitutional amendments needed to solve land issue**

Amending the property clause is, at best misguided and at worst, a cynical ploy to manipulate voter sentiments ahead of the 2019 national elections. There appears to be misunderstanding or even deliberate

misinformation regarding the contents of the property clause. To begin with, the property clause is not an impediment to effective land reform.

Another wrongly held view is that the property clause guarantees property rights - it does not - it merely protects against the arbitrary deprivation of property, for those who are owners. The property clause further seeks to ensure land reform through redistribution, land restitution and tenure security, as well as the equitable access to natural resources.

Based on this - how does the State fare in its constitutional obligations? The answer points to all-round dismal performance on the part of the State. While there may be pockets of excellence, particularly with communal property associations, these successes are few and far between.

Read [more](#).

### **Anthea Jeffery, IRR: There is no 'pressing hunger' for land, research shows**

comprehensive opinion polls commissioned by the IRR from 2015 to 2017 have repeatedly shown that the great majority of black South Africans have little interest in land reform.

In the IRR's 2016 field survey, for instance, only 1% of black respondents (down from 2% the previous year) said that 'more land reform' was the 'best way to improve lives'. By contrast, 73% of black people saw 'more jobs and better education' as the 'best way' for them to get ahead.

In similar vein, in the IRR's 2017 field survey, only 1% of black respondents identified 'speeding up land reform' as a top priority for the government.

Even among people who were dispossessed of land under apartheid laws – and were most likely to have a strong wish to see their land restored to them – there has been little interest in land as opposed to cash compensation.

Read [more](#).

### **Mcebo Dlalmini: With Zuma gone, the time is ripe for land expropriation**

South Africa has seen more than three heads of state in its 24 years as a democratic country but the conditions of the people have not changed substantially. Although some strides have been made the hierarchies that existed during apartheid and former president Thabo Mbeki's tenure have not been altered. There is still a small group of people that happens to be white that continues to hold all the wealth while the black majority of the country continues to languish in poverty.

This requires us to think critically about what ought to be done to ensure that this brutal reality is changed. The state of affairs invites us to think about the problem as structural and not necessarily as an incident of the structure.

Read [more](#).

### **Mathole Motshekga, ANC: Land dispossession was the original sin**

The triple challenge of poverty, unemployment and inequality which degrades and dehumanises black people in general and Africans in particular is the direct result of the original sin of land dispossession.

The shacks that have become the permanent features of the City of Cape Town, the seat of Parliament, which are frequently catching fire or are swept away by floods as and when it rains are the exhibits of the original sin that President Ramaphosa speaks of.

The concurrence of all progressive political parties represented the rebirth of South African constitutionalism and Parliament as envisaged by Nelson Mandela and validated President Ramaphosa's new dawn vision as the clarion call of the African (or 21st) century.

Read [more](#).

### **Ben Cousins, PLAAS: Effective land reform must reduce poverty and inequality**

The raging controversies surrounding the ANC's decision on expropriation illustrate the symbolic power of the land question within the contested politics of the country. One way to read the decision is that it is an attempt to head off the challenge from the left, in the form of the Economic Freedom Fighters. But it is also clear that "land" symbolises wide discontent within the populace at large over the slow rate of change in post-apartheid South Africa.

In the background, fuelling the fires, are the most intractable problems facing South Africa: massive levels of unemployment, structural poverty and gross inequality. The most important question facing land reform is how it can contribute to increasing employment, incomes and livelihoods among the 55% of the population who live beneath the poverty line.

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### **Annelize Crosby, Agri SA: It's a case of basic human rights**

Any deprivation of property without compensation constitutes a very serious breach of an individual's rights. Property rights are a fundamental human right that is recognised as such by most international human rights conventions. Bear in mind that section 39 of the Constitution stipulates that when courts interpret the bill of rights, the values of an open and democratic society must be promoted.

Courts must also consider international law as reflected in, among others, the international conventions on human rights. In most modern jurisdictions, land owners have a constitutional right to compensation.

### **Terence Corrigan, IRR: The EFF's proposal could affect the poor the worst**

The success of land reform policy should be measured by the extent to which it improves the lives of its beneficiaries, and enhances the economy as whole. Policy that does so is the surest means of truly transforming the country.

South Africa needs a rejuvenated land reform programme that incentivises investment, encourages the entrepreneurial spirit and gives new entrants the keys to success – support, financing and title to their land. This would be a decisive turn away from the abuses of our past.

The EFF's reported resolution would do the opposite.

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**Robert Traydon: There are more effective ways to redistribute land**

President Cyril Ramaphosa wasted no time in reaffirming his stance on land expropriation without compensation during his State of the Nation Address (SONA).

Swift assurances followed that it would be done in such a way that agricultural production and food security would not be compromised.

A credible way for our president to achieve this would be to expropriate unused or derelict land owned by municipalities, state-owned enterprises and other government institutions – especially land in the vicinity of urban areas – for the purpose of building new suburbs and micro-business districts for all those people who are still awaiting RDP homes.

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**What readers have to say:**

In the event of expropriation, what happens to the debt; ie. who pays the bond? And if land is owned outright, what stops people from getting bonds and then defaulting once the property has been expropriated? - **Catherine McCormack**

I am 100% behind the above mentioned subject.

If the process is dealt with correctly, it could be done successfully. I believe we have the necessary constitutional infrastructure/capacity to deal with the issue.



It's not a matter of revenge or hating white people, it is about black consciousness. Africa is where the world started. It is 1000's of years overdue that we start getting the necessary dignity. - **Floreinach Geduld**

The land audit that was done does not specify how much land is owned by the state at present, it only concentrated on land physically owned by the different ethnic groups. How then does expropriating land from everyone, including black property/home owners and giving it to the state rectify the land ownership issue?? Smacks of politicking to me. Too much power in the hands of a few, especially in Africa, smell of big trouble. - **Kevin Mattheus**

All the other myriad issues aside, how exactly will allocating, or more likely renting, a vacant plot of land to your average South African Joe suddenly alleviate poverty? Unless there is a magic money making machine built into each plot, this isn't going to solve anything. It's not like they could even sell it since it will all be state owned. - **Justin van Noort**

Read [more](#).

The penny has not yet dropped for most South Africans. When they say land – it is all land. Your house in the suburbs, Mercedes, Toyota, BMW and Volkswagen's land where their factories are. All the shopping malls. Not only farm land. - **Jenni Rogers, Middelburg**

With your stature, Mr Malema, it should be easy to get facilities where aspiring farmers can be trained. If you do not train people in modern farming, are you just following Mr Mugabe's example? He got rid of the white farmers in Zimbabwe and got himself some property. That made good economic sense to him, but got Zimbabwe into serious economic trouble. - **Gerard de Vos**

Read [more](#).

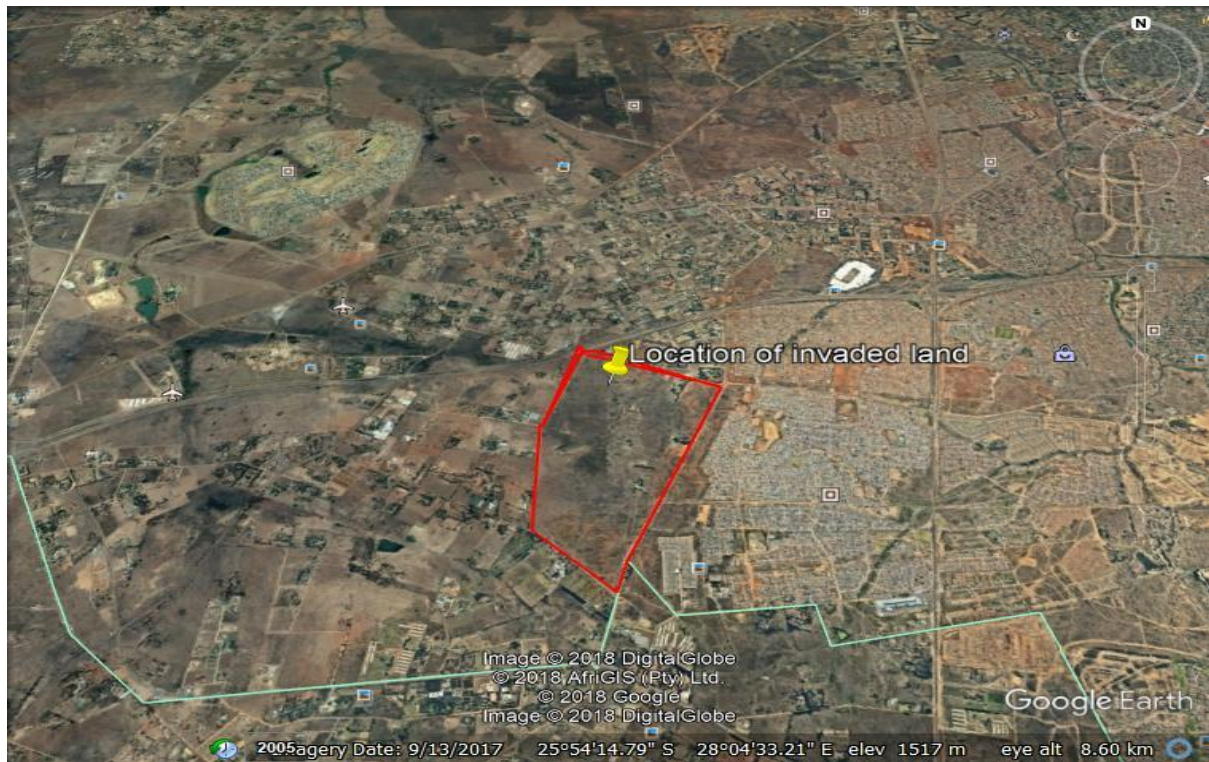
The Khoi-San are (and still remain) the original occupants of the land, which was first expropriated from them without compensation by the invading Bantu tribes, which happened prior to the arrival of any European. - **Julian Peters**

Nearly every South African citizen shack dweller has another genuine home somewhere in another part of the country, often quite beautiful and lush, but without any prospect of a job. But the sprawling masses of shacks are largely illegals and should therefore not be seen as landless people at all. The other factor is when you have given all these people the new confiscated land, are they going to pay the exorbitant rates we are being levied. We all know not, so here we go, more bankrupt municipalities. - **Andy Dott**

In 24 years the ANC has failed to capitalise on land reform based on the current system. Reason for this is that the program is run by corrupt, lazy and inefficient officials. Redistributed farms lie fallow and two agricultural jewels viz Zebadela and Sepokoe Tea Estates have become disasters. Learn from history. If they cannot get it to work now then how are they going to get it to work in the future? Who will benefit anyway? Only crooked politicians and officials. - **Kevin Townsend**

**Send us your thoughts on the topic**

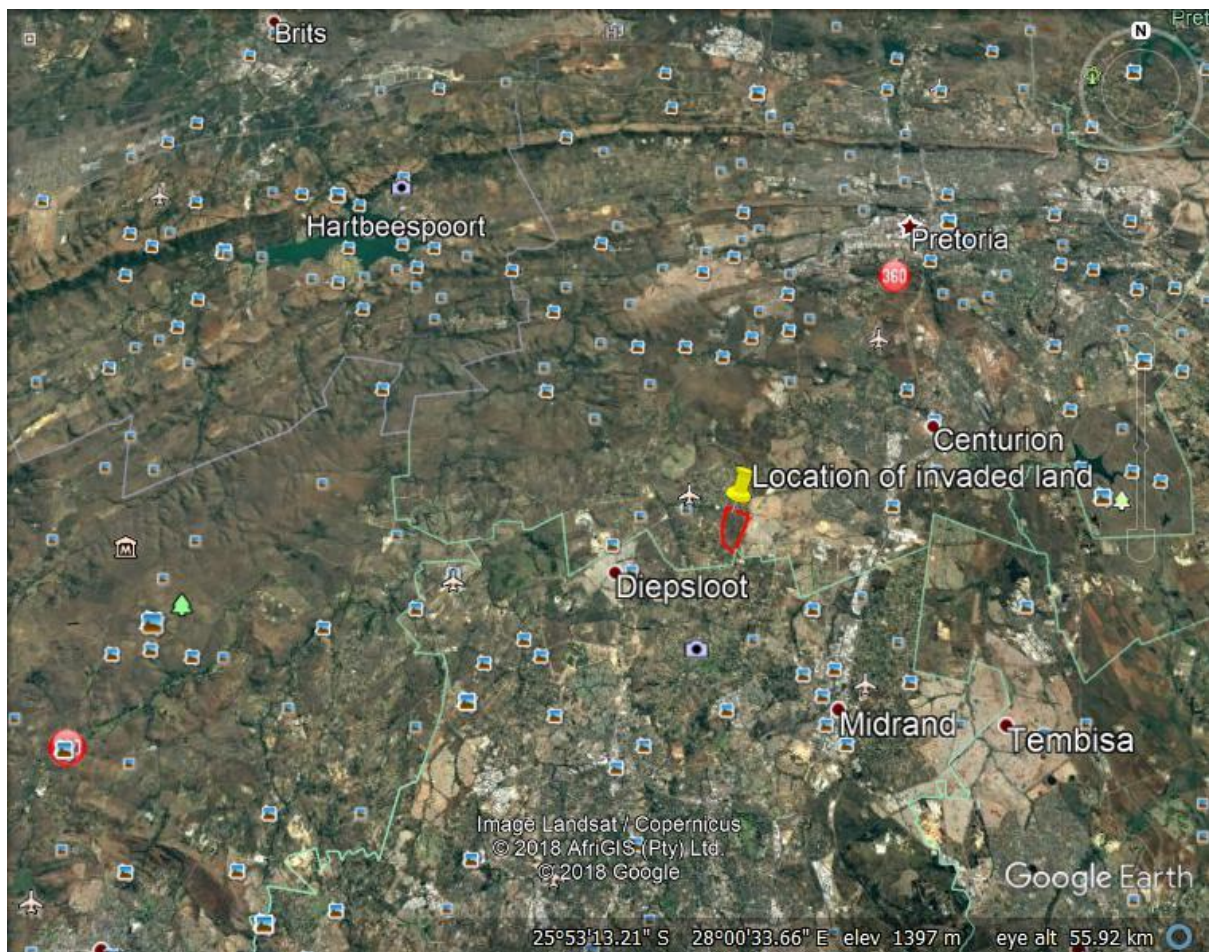
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**Figure 1: Location of invaded land, perspective 1**

*Source: Google Earth 2017*





**Figure 1: Location of invaded land, perspective 2**

*Source: Google Earth 2017*

### QUESTION 3

**[50]**

South Africa recently experienced the Esidemeni tragedy in which a lack of funding was blamed as the cause of the tragedy. Discuss the valuation of hospitals and provide an outline of the report you will submit to a client.

**TOTAL**

**150**