



Department of Finance and Investment Management

Advanced Property Valuation & Management B

PVM8X02

LAST ASSESSMENT

NOVEMBER 2019

Time: 3 hours

Marks: 150

Assessor: Dr A Kruger

Moderator: Mrs M Naidoo

INSTRUCTIONS:

- The paper consists of 11 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	Feasibility Studies	50	60 minutes
3	Retirement Villages	50	60 minutes
		<hr/> 150	<hr/> 180 minutes

QUESTION 1

(50)

REQUIRED:

Select the correct option by colouring (●) the appropriate letter on the answer sheet in the answer script.

- 1) 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.
- 2) In the analysis of the highest and best use of land as though vacant, one important consideration is?
 - a) The amount of the mortgage loan
 - b) The size and age of the improvements on the site
 - c) A reasonable probability of rezoning
 - d) The type of appraisal report requested by the client
- 3) When a property is not what the market demands, this may violate which economic principle?
 - a) Anticipation
 - b) Opportunity cost
 - c) Conformity
 - d) Regression
- 4) 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
- 5) The first step in the valuation process is?
 - a) Identification of the valuation problem
 - b) Application of the approaches to value
 - c) Review of market data
 - d) Selection of an appropriate unit of comparison

- 6) Items that must be considered in the valuation of land include?
- a) Topography
 - b) Size of improvements
 - c) Depreciation
 - d) Age of improvements
- 7) A lender asked a valuer to prepare a valuation report on a 2.2ha 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?
- a) An extraordinary assumption if the date of appraisal is today
 - b) A hypothetical condition if the date of appraisal is one year from now
 - c) An unethical appraisal because the building is not in place
 - d) A hypothetical condition if the “as completed” value is dated as of today
- 8) In the valuation process, defining the value estimated is included in the?
- a) Definition of the problem section
 - b) Preliminary analysis and data selection and collection
 - c) Highest and best use analysis
 - d) Land value opinion
- 9) One of the criteria for determining highest and best use is?
- a) Physical possibility
 - b) The sale price of the land is not too high to deter the use
 - c) The use is compliant with the owner’s planned use
 - d) The effect on community welfare
- 10) In highest and best use analysis, a change in zoning classification?
- a) Can never be assumed
 - b) Can always be assumed
 - c) Cannot be assumed unless the intended use is for a zoning appeal
 - d) Can be assumed if the change is likely and disclosed as a hypothetical condition or extraordinary assumption (depending on the date)
- 11) Important characteristics of a new subdivision includes?
- a) Zoning, infrastructure
 - b) Private planning for growth
 - c) Public trends
 - d) Home restrictions

- 12) Which of the following approaches is not part of the approaches to value?
- a) Cost
 - b) Renting property
 - c) Sales comparison
 - d) Income capitalization
- 13) 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
- 14) 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
- 15) 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
- 16) Which of the following is not used to classify residential properties?
- a) Time share
 - b) Full title
 - c) Sectional title
 - d) Size and age
- 17) What should not be included in inspection of exterior superstructure?
- a) Roof and drain system
 - b) Ventilation
 - c) Piles and columns
 - d) Insulation
- 18) Which of the following is not a data process?
- a) Data collection
 - b) Data control
 - c) Data organisation
 - d) Data analysis

- 19) 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
- 20) 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.
- 21) 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
- 22) 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
- 23) 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
- 24) 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

- 25) 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
- 26) If a valuer is estimating the land value of a parcel of land that has improvements on it, the land must be valued?
- a) On the basis of the use implied by the improvements
 - b) As of the date of construction
 - c) As if the improvements were not there
 - d) As if the zoning could be changed to permit the current use
- 27) Land can be valued by?
- a) Sales comparison, allocation, market extraction, and abstraction
 - b) Sales comparison, the land residual method, ground rent capitalization, and determination
 - c) Sales comparison, the land residual method, allocation, and market extraction
 - d) Highest and best use determination, sales comparison, and asset management
- 28) 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
- 29) 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?
- a) Correct in his pitch because the success of the business will enhance the property value
 - b) Correct in his pitch only if the business shows long-term income growth from food sales
 - c) Incorrect in his pitch because food sales income is considered to be too speculative and difficult to value
 - d) Incorrect in his pitch because the owner is confusing the real estate value with the intangible (business enterprise) value

- 30) The subdivision development analysis technique is?
- a) More accurate than a well-prepared sales comparison analysis
 - b) Less accurate than the allocation method
 - c) Very applicable when the main criterion of value is the number of lots that can be developed out of a parcel of land
 - d) Not an accepted technique for the valuation of land
- 31) Which of the following is an example of a municipal land use regulation?
- a) A lease document signed by the owner and lessee
 - b) A city zoning ordinance
 - c) A city ordinance regulating automobile speed limits on the adjacent street
 - d) A national law focused on employment contracts
- 32) Real property includes?
- a) Any and all building on the subject site
 - b) All interests, benefits and rights inherent in the ownership of property
 - c) The physical land and improvements affixed to the land
 - d) Property that is not artificial
- 33) When valuing vacant land using the sales comparison approach, the comparables used in the analysis?
- a) Must be sales that are nearby
 - b) Must be sales that are recent
 - c) Should be sales that have the same highest and best use as the subject
 - d) Should be sales that are within 5% of the same size as the subject
- 34) 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
- 35) 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

- 36) 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
- 37) 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
- 38) 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
- 39) 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
- 40) Interior description involves?
- a) Electrical systems
 - b) Attached equipment
 - c) Air conditioning and ventilation
 - d) Painting decoration and finishing
- 41) Which one is not a basic condition that needs to be met when establishing a township?
- a) Restrictive title deed conditions must be cancelled
 - b) The necessary servitudes must be registered.
 - c) If the land is proclaimed mining land, it must either be de-proclaimed or reserved for township purposes.
 - d) a 600m² park must be provisioned for.

- 42) The purpose for which an urban property may be used is controlled by?
- a) The government
 - b) The owner
 - c) Town planning scheme
 - d) The local municipality
- 43) Which is not included in the contents of a town-planning scheme?
- a) Provisions contained in scheme clauses;
 - b) Description of the land to which the scheme relates;
 - c) The local recommended builders number
 - d) The scheme maps, annexures or schedules in respect of the land to which the scheme relates.
- 44) Which of the following are elements of a building description?
- a) Site size and shape; or
 - b) The building size, plan and construction; or
 - c) Excess land and surplus land; or
 - d) All of the above.
- 45) 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
- 46) The sales comparison approach is primarily?
- a) An analysis based on the appraiser's interpretation of brokers' opinions of value
 - b) An analysis based on historical sales of similar properties
 - c) A market-driven analysis based on the actions of brokers and buyers in the market
 - d) A market-driven analysis based on the income and expense potential of a property
- 47) 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

PROGRAMME: B.Com Honours (Property Valuation and Management)

MODULE: Advanced Property Valuation and Management B (PVM8X02) (Last – November 2019)

- 48) Which party does the property owner look to for payment of rent in a sublease arrangement that does not have any other agreement in place?
- a) The sub lessee
 - b) The grantor
 - c) The lessee
 - d) The government
- 49) The economic principle stating that the value of a property tends to be set by the price that would be paid to acquire a property of similar utility and desirability is?
- a) Balance
 - b) Externalities
 - c) Substitution
 - d) Opportunity cost
- 50) A comparable sale included the seller taking back a purchase-money mortgage at 3% under the market rate for 10 years. The appraisal was based on the cash-equivalent market value. The adjustment for this factor would be called a>
- a) Financing terms adjustment
 - b) Conditions of sale adjustment
 - c) Expenditures made immediately after purchase adjustment
 - d) Real property rights conveyed adjustment

QUESTION 2

(50)

The University asked you to conduct a feasibility study on the vacant land just south of the Universities Hotel School, see the figure below.



Explain how you would conduct a feasibility study on the area circled in red.

QUESTION 3

(50)

Your parents will be retiring within the next year and decided to sell their house and move to a retirement village. Explain to them what a retirement village is and discuss the legislation governing retirement villages and the different types of tenure with them. How will you develop an opinion of value of a retirement village?

TOTAL

[150]