



Department of Finance and Investment Management

Advanced Property Valuation and Management B

PVM8X02

SUPPLEMENTARY ASSESSMENT

December 2019

Time: 3 hours

Marks: 150

Assessor: Dr A Kruger

Moderators: Mrs M Naidoo

INSTRUCTIONS:

- This paper consists of 10 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	50	60 minutes
2	The Valuation Report	50	60 minutes
3	Computer Assisted Valuation Systems	50	60 minutes
		150	180 minutes

QUESTION 1

[50 marks]

REQUIRED:

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

1. Business decisions based on _____ value reduce risk while business decisions based on inflated value damage reputations and cause losses?
 - a. Fair
 - b. Market
 - c. Assessed
 - d. Business
2. The use of buildings and land are divided into how many categories in a town planning scheme?
 - a. 12
 - b. 3
 - c. 6
 - d. 36
3. 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.
4. Which one of the following are not controlled by zoning and other land use regulations?
 - a. number of units allowed
 - b. utilities
 - c. parking requirements
 - d. building lines
5. 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

6. Which of the following possibilities are not to be considered when analysing the highest and best use as improved?
 - a. Modify existing use
 - b. Selling existing building
 - c. Continue the existing use
 - d. Demolish the existing improvements
7. The use of land is not influenced by?
 - a. Climate
 - b. Topography
 - c. Economy
 - d. Trends
8. Property Valuation was first recognised as profession during the depression. Which decade did this depression occur?
 - a. 1900's
 - b. 1910's
 - c. 1920's
 - d. 1930's
9. Which of the following statements is incorrect? The use of land is influenced by?
 - a. Climate do not influence land usage.
 - b. Climate influences land usage.
 - c. Topography
 - d. Trends
10. Highest and best use can be defined as the reasonably and legal use of vacant land or an improved property that is physically impossible, appropriately supported, and financially feasible and that results in the highest value?
 - a. True
 - b. False
 - c. Possible
 - d. Impossible
11. Which of the following tests are implicit and are applied to develop adequate support for the appraiser's highest and best use opinion?
 - a. Legally permissible and physical possible; or
 - b. Maximally productive; or
 - c. Financially feasible; or
 - d. All of the above.
12. Vacant 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

13. Wetlands are defined by which characteristic(s)?
 - a. Soils and floodplain
 - b. Hydrology and soils
 - c. Soils, hydrology and vegetation
 - d. Hydrology and vegetation
14. 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
15. Interior description involves?
 - a. Electrical systems
 - b. Attached equipment
 - c. Air conditioning and ventilation
 - d. Painting decoration and finishing
16. Quality is?
 - a. the cost and durability of improvement
 - b. durability and efficiency of improvement
 - c. durability of improvement
 - d. cost, durability and efficiency of improvement
17. Which one is not a basic condition that has 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.
18. 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
19. Valuers are employed for their?
 - a. Lack of training
 - b. Subjective approach to value
 - c. Independence in workings as individual valuers
 - d. Ability to work in groups

20. The following are 4 agents of production?
- a. Durable, land, entrepreneur, commerce
 - b. Land, labour, capital, entrepreneur
 - c. Raw materials, human resources, commerce, industry
 - d. None of the above
21. Which of the following is a crucial element in the highest and best use analysis?
- a. The use effect and other specialized uses; or
 - b. The timing for a specific use; or
 - c. The risk effect; or
 - d. None of the above.
22. Which is not a primary source of information?
- a. public records
 - b. real estate ads
 - c. published news articles
 - d. interviews with market participants
23. Which one is an example of transactional adjustments?
- a. use
 - b. physical characteristics
 - c. conditions of sale
 - d. location
24. _____ holds that the value of property tends to be set by the price that would be paid to acquire a substitute property of a similar utility and desirability within a reasonable amount of time?
- a. substitution
 - b. Balance
 - c. Externalities
 - d. Market Analysis
25. The one is not a basic element of comparison?
- a. Financing terms
 - b. Conditions of sale
 - c. Qualitative analysis
 - d. Location
26. To estimate demand valuers do not consider?
- a. the number of potential buyers
 - b. their purchase power
 - c. sellers
 - d. none of the above

27. The process by which a value indication is derived in the sales comparison approach, best describes?
- a. Data analysis
 - b. Comparative analysis
 - c. Quantitative analysis
 - d. Qualitative analysis
28. Qualitative analysis techniques include?
- a. trend analysis
 - b. relative comparison analysis
 - c. ranking analysis
 - d. All of the above
29. _____ analysis is applicable when a large amount of market data is available?
- a. Relative Comparison
 - b. Ranking
 - c. Trend
 - d. Physical
30. Which one of the following is not part of an efficient valuation process?
- a. communication
 - b. logical sequences
 - c. two different languages
 - d. well balanced
31. Interpreting and instruction can include the following step(s)?
- i) establishing the purpose of the valuation
 - ii) determine clients requirements
 - iii) determine exactly what has to be valued
 - iv) determine when the valuation report must be submitted
- a. i, ii, iii
 - b. i, iv
 - c. all of the above
 - d. none of the above
32. The purpose of annexures is to?
- a. provide evidence of what has been said
 - b. make the report longer
 - c. make the report more appealing
 - d. all of the above
33. Identified parcel or tract of land, including improvements if any is known as?
- a. Real property
 - b. Personal Property
 - c. Trade Fixtures
 - d. Real estate

34. A valuer with a good character and integrity have the following, except?
- a. Be loyal to his principal
 - b. Carry out every instruction to the best of his ability
 - c. He can do whatever he wants
 - d. Be prepared at all times
35. Valuation ethics refers to certain aspects. Which one of the options below is not one of those aspects?
- a. Acceptable or unacceptable valuation reports
 - b. Accurate or poor estimates of market value
 - c. Morally correct conduct as valuer
 - d. Special training
36. Which of the following are factors of value?
- a. Preference
 - b. Utility
 - c. Scarcity
 - d. B and C
37. Which one of the following is not a factor influencing land use decisions?
- a. Climate
 - b. Topography
 - c. Humidity
 - d. Trends
38. Land has certain attributes, which one of the following is not a common attribute of land?
- a. Physically immobile
 - b. Durable
 - c. Infinite Supply
 - d. Unique in its location and composition
39. Which of the following recognizes that land is a resource to be shared by all people and that land is a commodity that can be owned, traded, and used by individuals?
- a. Law
 - b. Sociology
 - c. Geography
 - d. Economics
40. Which of the following is not an objective of a valuer?
- a. Keep complete up to date records of the transactions in the market
 - b. Distort market value in favour of a client
 - c. Process and analyse those records to determine trends in the market.
 - d. Constantly do research on property related matters

41. What is the third sequence applied in the transactional adjustments?
- Conditions of sale
 - Financing terms
 - Real property rights conveyed
 - Market conditions
42. Which of the following options is not a quantitative adjustment?
- Data analysis techniques
 - Cost-related adjustments
 - Capitalization of income differences
 - Percentage adjustment
43. In the application of the sales comparison approach quantitative adjustments are made to the sales price of comparable properties. Which of the following is not considered to be such an adjustment?
- Financing terms
 - Market Conditions
 - Property Rights conveyed
 - Leasehold improvements
44. In which order is the sales comparison approach generally applied?
- 1: Inspection, 2: quantitative adjustments, 3: qualitative adjustments, 4: reconciliation.
 - 1: Inspection, 2: qualitative adjustments, 3: quantitative adjustments, 4: Pro forma reconciliation.
 - 1: Qualitative adjustments, 2: quantitative adjustments, 3: Inspection, 4: reconciliation.
 - 1: Pro forma reconciliation, 2: Inspection, 3: quantitative adjustments, 4: qualitative adjustments.
45. Transactions relating to comparable properties can be obtained from which sources?
- Deeds office
 - Property Intellect
 - Windeed
 - All of the above
46. The market value for a single residential property is determined by using?
- Sales comparison approach
 - Cost approach
 - Income capitalization approach
 - None
47. The professional valuer should make sure that the instruction is very clear on the following aspects?
- Identification of the property,
 - The purpose of the valuation,
 - Arrangements to do an inspection of the property,
 - All the above

48. In the valuation process, determining the highest and best use is essential. Which of the following processes is considered complementary to investigating highest and best use?
- a. Market research and neighbourhood analysis.
 - b. Defining the valuation problem.
 - c. Age estimation
 - d. Functional utility analysis.
49. The providing of sufficient information in order to convince the client of the true value of a property is considered?
- a. Complementary purpose of the valuation report.
 - b. Secondary purpose of the valuation report
 - c. A primary purpose of the valuation report.
 - d. A tertiary goal.
50. To convey information is the of the valuation report?
- a. Primary purpose
 - b. Secondary purpose
 - c. Sole purpose
 - d. Most important purpose.

QUESTION 2

[50 MARKS]

The final step in the valuation process lies in communicating the value conclusion and confirming the basis of the valuation, the purpose of the valuation, and any assumptions or limiting conditions underlying the valuation to your client. The Valuation Report should guide the reader through the procedures and evidence that the Valuer used to develop his opinion of value.

Required:

Provide guidelines for the clear communication of the results of the valuation and an understanding of how those results have been obtained based on the requirements as set out by the IVS.

QUESTION 3

[50 MARKS]

The following appeared under “Frequently asked questions: general valuations roll 2013” on the Joburg web page:

“Question: Did You Inspect my property?”

Answer: As this is a mass valuation, the Municipal Valuer uses a computer aided mass appraisal (CAMA) system to determine the values of all properties. This is based on statistical analysis and geographical information systems (GIS), and therefore requires reliable and accurate data.

For residential property, obtaining access to all properties is not possible, and as such, the Municipal Valuer makes use of advanced technology that allows the collection of data. This includes the use of building plans and Pictometry, which is the state of the art 3D aerial photography that allows the valuers to see the properties from all angles, and be able to measure the extents and heights of the buildings, as well as other information relating to quality, condition and other improvements. This is augmented by the used of street level video footage which is collected by driving down each street and recording the street frontages. This method is acceptable in terms of the MPRA, and endorsed by the International Association of Assessing Officers (IAAO) the international body that sets standards to mass appraisal importantly endorses more.

However, in cases where the aerial photography and other imagery is not useable, usually in the cases where properties have a lot of foliage, or high security walls, then physical inspection of the site is undertaken.

The data collection process is independently reviewed for quality assurance purposes to ensure the data collectors are consistent in their approach and the data they record is correct for the subject property.

For non-residential properties, field visits are undertaken to obtain data such as the property use, rentals and financial records of businesses.”

Required:

Discuss the implications of this recent technological development—specifically computer-assisted mass appraisal (CAMA) systems and automated valuation models (AVMs)—have for the real property valuation profession.

TOTAL MARKS

[150]