

OBAFEMI AWOLowo UNIVERSITY
FACULTY OF ENVIRONMENTAL DESIGN AND MANAGEMENT
DEPARTMENT OF ESTATE MANAGEMENT
RAIN SEMESTER EXAMINATIONS 2016/2017 SESSION

COURSE: ESM 206/214: LAND ECONOMICS II

TIME ALLOWED: 2 hours

INSTRUCTION: Candidates are to answer any four questions in all

- (1) Investment decisions and appraisals are of considerable importance to any business since they tend to determine its value. Identify and discuss the various classifications of investment decisions. Emphasize the significance of investment decisions and appraisals to the profitability of a firm. Also highlight the factors that influence investment decisions (15 marks).
- (2) Discuss the significant part of consumption theories emphasizing how people maintain their consumption levels using real life illustrations. Suggest the factors that affect individual consumption (15 marks).
- (3)
 - a. The land use pattern of any urban area is not exact reflection of the immediate and current space requirements, but rather of the cumulative needs over the years which provides the framework within which competition takes place between existing and potential land users thereby influencing the pattern of land use in the area. In view of this, discuss in details the general pattern of land use that has evolved in most urban areas.
 - b. Explain in details the concepts of *accessibility* and *complementarity* (15 marks)
- (4)
 - a. Urbanization refers to the growth of towns and cities as a result of economic development and industrialization. In line with this statement, discuss in details the economic advantages of urbanization.
 - b. Using examples where applicable, explain in details the five main mechanisms of urbanization (15 marks).
- (5)
 - a. The growth of an area depends on the amount of goods and services supplied to outsiders (i.e. its exports). Discuss with hypothetical example.
 - b. Identify and discuss the factors that contribute to degradation of land in Nigeria.
(15 marks)
- (6)
 - a. Identify and discuss the measures available to conserve land resources in Nigeria.
 - b. The problem of resources allocation exists as a result of needs and wants of people that are endless but the resources to satisfy them are limited. Discuss. (15 marks)



OBAFEMI AWOLOWO UNIVERSITY ILE-IFE
FACULTY OF ENVIRONMENTAL DESIGN AND MANAGEMENT
DEPARTMENT OF ESTATE MANAGEMENT

BSc. Estate Management Rain Semester Examination, 2016/2017 Session
ESM 212/202 – Principles of Property Valuation II Time Allowed: 3 Hours

Instruction: Answer ANY FOUR questions. All Questions carry equal marks. Assume and state necessary assumptions where necessary. Except where otherwise stated, assume freehold yield of 9%, sinking fund of 3% and 40kobo in the Naira as tax.

1. White House Ltd. has a freehold interest in a residential property located at Obafemi Awolowo way, Ikeja, Lagos. In 2010, she granted a 16 years full repairing and insuring lease to Green House Investment at a rent of ₦ 3 000,000,p.a for half of the term and ₦ 3,500,000 p.a for the remainder. While in occupation for 5years, Green House Investment granted a sublease to Blue House Ventures for 9 years on full repairing and insuring terms. The rent reserved was ₦ 4,000,000 p.a rising by ₦ 1,000,000 after the first 5years. Exactly a year ago, Blue House Ventures sublet the property to Madam Pemishire for the rest of the term less one day at a rent of ₦ 6,000,000 p.a on full repairing on insuring conditions. A similar freehold property which was let at ₦ 6,000,000 p.a in 2015 for 8 years has just been sold for ₦ 720,000,000 while it has been established that this type of property is worth ₦ 7,000,000 p.a. The subject property is now a subject of acquisition for redevelopment. You have been assigned to advice on the Capital Value of all the interests hold by the parties. (15 marks)

2(a). What is marriage value? Describe four practical situations where marriage value can be said to exist. (5 marks)

(b) Rubic Nigeria Limited is in occupation of a commercial space with a net floor are of 250.0m² on a building lease having 20 years unexpired term at a rent of ₦ 5,000 / m² annually. Eight years ago, the property was leased to Ajose Properties Ltd on a 21 years FRI lease tem at a ren of ₦ 28,000/ m² per annum. Rubic Nigeria Limited wishes to use the property as their headquarters and propose to buy others interests in the property.

You are required to:

- (i) advice all the parties on the capital value of their interest in the property
- (ii) what will Rubic Nigeria Limited interest worth after the merger of the intrests
- (iii) calculate the marriage value
- (iv) explain what accounted for the marriage vaue if any

(10 marks)

3(a) Briefly comment on the criticisms against the term and reversion and hardcore approaches (5 marks)

(b) A shop premises in Lagere, Ile-Ife were recently let for ₦ 100,000 per annum on a full repairing and insurance lease for 25 years with 5 years review. The freehold subject to the lease was subsequently sold for ₦ 1,250,000. You have been instructed by a client to value the freehold intrest in a comparable shop nearby let on FRI lease for 25 years with 5 year rent reveiw 2 years ago. The current market rent is ₦ 70,000 with an increase to full rental value at the next rent review.

You are required to calculate the market value of the freehold interest using

- (i) term and reversion approach
- (ii) hardcore approach

- (iii) equivalent yield approach
- (iv) explain why your value estimate in (i) to (iii) above differs

(10 marks)

4(a) Discuss the significance of the term "Premium" to the stakeholders of valuation citing practical examples. (5 marks)

(b) Senator Roberts proposes to surrender the lease which he held in respect of commercial premises having three years to run. He obtained a 16 years lease at a rent of ₦ 2,000,000 p.a. and paid a premium of ₦ 2,400,000. Senator Roberts has now approached the freeholder as he wishes to extend his term by surrendering his present lease for 24 years at the same rent of ₦ 2,000,000 p.a. A comparable property was recently leased for ₦ 6,000,000 with a freehold yield of 6 percent. He is prepared to pay three premium of equal value. One immediately the lease is granted, the second in 7 years' time while the last in the middle of the lease term. You have been approached to calculate the premium to be advanced. (10 marks)

5(a) "Premium is lump sum of money paid by tenant to a landlord in consideration for a reduction in rent". Discuss this statement with consideration to Estate Surveying and Valuation practice in Nigeria. What benefit(s) if any does premium has to landlord and tenant? (5 marks)

(b) Mr. Anjorin intends to take a lease of an office premises for 25 years at a rent of ₦ 7,500,000.00 per annum. The FRV of similar properties is ₦ 10,000,000.00 per annum. Return of investment at FRV is 7% and return on leasehold is 8% and ASF of 3% and tax factor is 40%. Advise Mr. Anjorin on the premium he should pay to the landlord. Justify why he should pay the premium. (10 marks)

6(a) What are the similarities and differences between Cost-in-Use and Virtual/Sitting rent? (5 marks)

(b) Black Blast Quarry Industry is considering three alternative design proposals of 5-Bedroom bungalows. The Annual running costs of Electricity, Maintenance and Cleaning are ₦4,500,000, ₦15,000,000 and ₦2,500,000 for Design A; ₦6,000,000, ₦18,000,000 and ₦4,100,000 for Design B, while Design C consisted of ₦3,800,000, ₦10,800,000 and ₦2,200,000 respectively. Initial Development costs stood at ₦12,400,000, ₦11,000,000 and ₦12,000,000. The firm will require ₦150,000,000 in 35 years' time and ₦100,000,000 in 30 years' time for redevelopment for design A and B respectively. Future replacement of certain services are in the ranges of ₦35,000,000 after 25 years and 50 years for Design A, ₦45,000,000 after 30 years and 50 years for Design B, while Design C will take ₦30,000,000 after 20 years and 40 years' time. Site acquisition cost for Designs A, B and C are ₦3,000,000 ₦4,000,000 and ₦5,500,000 respectively. Given that the anticipated life of buildings A and C is 60 years each, while B has 30 years or more extended by 35 years due to rebuilding. Given a Discount rate of 8% and Annual Sinking Fund of 3%, you have been consulted by the firm to advise by means of Cost-in-Use analysis on which is the most cost effective of the designs? (10 marks)



OBAFEMI AWOLOWO UNIVERSITY ILE-IFE
FACULTY OF ENVIRONMENTAL DESIGN AND MANAGEMENT
DEPARTMENT OF ESTATE MANAGEMENT

BSc. Estate Management, Quantity Surveying and Urban and Regional Planning
Rain Semester Examination, 2013/2014 Session

ESM 202 - Introduction to Property Valuation II **Time Allowed: 2 ½ Hours**

Instruction: Answer only FOUR (4) Questions. All Questions carry equal marks. A neat work will be appreciated. Assume 8% freehold yield, 3% sinking fund and 40k tax.

Question 1

Biola holds the residue of 99 years building lease granted at fixed ground rent of N15,000 from the freeholder Alade. The building lease has 67 years unexpired. Four years ago, Biola let the office edifice to Chukwudi at a rent of 150,000 per annum on 20 years full repairing and insuring lease. Two years ago, Chukwudi sublet the premises to Duke under a 10 years full repairing and insuring lease at a rent of N280,000 per annum with a rent review clause at the middle of the lease increasing by N70,000. Freehold interest in a similar property was recently sold for N5,250,000. Advise all parties. 15 marks

Question 2

Barrister Jackson is a tenant holding a commercial edifice on full repairing and insuring lease granted 15 years ago for a term of 22 years. He then wishes to obtain a fresh lease at the same rent and terms under a clause that the rack rent is to be increased by half in the proposed term. The transaction provides that the rent reserved under the present lease is N3 million per annum, while a rent of N7 million is obtainable in the open market. You are required to:

- (i) Determine what premium can reasonably be agreed upon by the parties. 10 marks
- (ii) Assuming Barrister Jackson is willing to spend N2,500,000 to renovate the structure in the 7th year and triple the expense in the 14th year of the new term, advise both parties on the rent that should be fixed. 5 marks

Question 3

a. Mr. A has a freehold in a property located at Ikoyi, Lagos. The property was let to Mr. B 12 years ago on Full Repairing and Insuring term for 30 years at a rent of N400,000. After using the property for 7 years, Mr. B sublet the property to Mr. C for 18 years at a rent of N700,000 on similar terms. Mr. B now wants to use the property for expansion of his business and desires to buy up the interests of others. As a professional Valuer, you have been contacted to advise all parties on the amount to offer and the amount to accept in order to strike a fair deal. Advise the parties and show all the calculation to support your claims. Similar property in the neighborhood goes for N1,500,000 p.a. 12 Marks

b. What do you think gives rise to marriage value and how is it created? 3 marks

Question 4

a. Under what conditions are the uses of Residual and Profit methods of valuation appropriate? 5 marks

b. A modern office block located at Mayfair, Ile-Ife is let to a first class user on a FRI lease at N720,000 per annum. There is a reversion in 15 years' time. The premises comprise 300 square metre of net lettable space. Similar premises are currently letting for N3,500 per

Freehold interest is being sold on a 5% yield basis as rack rented investment. Value

- i) Term and Reversion 5 marks
 ii) Layer Approach 5 marks

Question 5

a. Your client is confronted with a challenge of choosing among series of real estate investments and has sought your professional advice. The analysis of the available investment options are as contained in the table below:

Item	Investment A	Investment B	Investment C
Cost of site	1,500,000	1,200,000	1,800,000
Anticipated life of the building	45 years	50 years	20 years to be extended for 20 years by redevelopment
Initial Development Cost	N50,000,000	N40,000,000	N30,000,000
Redevelopment Cost	-----	-----	N10,000,000
Refurbishment	N3,000,000 after 30 years	N5,000,000 after every 15 years	-----
Discounted Rate	48%	8%	8%
Annual Sinking Fund	4%	4%	4%
Annual Cost			
• Cleaning	300,000	400,000	200,000
• Electricity	250,000	500,000	400,000
• Maintenance	500,000	1,200,000	900,000

If your friend is only interested in cost minimization, advise on the best investment to go for. 9 Marks

b. Taiwo, Kehinde and Idowu are the three children left by Mr. Smith who died last week. Mr. Smith left a Will where he stated that his children should collect rent on his property one after the other on yearly basis starting from next year (i.e Taiwo – first; Kehinde – second; and Idowu – third) in that order for the next 12 years after which the freehold interest should go to his wife Mrs. Smith. The going rent on the property is N2,000,000 p.a and it is expected to remain same for the period of the existing lease which is 15 years. Value the interest of the children. 6 Marks

Question 6

- a. Why is the cost of reinstatement a method of last resort in property valuation. 6 marks
- b. Charles proposes to surrender the lease which he held in respect of residential premises having three years to run. He obtained the 15 years lease at a rent of N360, 000 p.a. and paid a premium of N2,400,000 from the onset. Charles has now approached the freeholder as he wishes to extend his term by surrendering his present lease for 24 years at the same rent. A comparable property was recently leased for N1,000,000 with a freehold yield of 8%. He is prepared to pay three premium of equal value. One immediately the lease is granted, the second in 7 years' time while the last when the lease has doubled over the term of the lease. Calculate the premium to be advanced. 9 marks

OBAFEMI AWOLowo UNIVERSITY
FALCULTY OF ENVIRONMENTAL DESIGN AND MANAGEMENT
DEPARTMENT OF ESTATE MANAGEMENT
2015/2016 RAIN SEMESTER EXAMINATIONS

COURSE TITLE: ESM 206 – Land Economics Time: 2 Hrs

INSTRUCTION: Answer any FOUR Questions

1. Variations in the features of different urban areas provide different frameworks within which competition between the existing and potential land users decides the pattern of land use in any urban area. Discuss in details the general pattern of land use that has evolved in most urban areas.

2a. Urbanization refers to the growth of towns and cities as a result of economic development and industrialization. In line with this statement, discuss in details the merits and demerits of urbanization.

2b. Using examples where applicable, explain in details the five main mechanisms of urbanization.

3. Absolute and comparative advantages are two important theories in international trade that largely influence a nation's importation and exportation. Explain these theories with illustration

4a. Consumption is one of the important concepts in economics. Discuss the relevance of this concept to the economy

4b. Examine the theories of consumption and factors influencing marginal propensity to consume

5a. Investment decisions revolve around how best to allocate capital to maximise their values. Discuss this statement in relation to criteria to measure a good investment and challenges of an ideal investment

5b Illustrate with practical examples, the difference between the concept of highest and best use and the concept of land use capacity.

6a. Land resources conservation required various techniques to avoid land disturbance and destruction. Discuss.

6b. Investment decisions require special attention because of the various reasons. Discuss.



OBAFEMI AWOLOWO UNIVERSITY ILE-IFE
FACULTY OF ENVIRONMENTAL DESIGN AND MANAGEMENT
DEPARTMENT OF ESTATE MANAGEMENT

BSc. Estate Management Rain Semester Examination, 2016/2017 Session
ESM 212/202 – Principles of Property Valuation II Time Allowed: 3 Hours

Instruction: Answer ANY FOUR questions. All Questions carry equal marks. Assume and state necessary assumptions where necessary. Except where otherwise stated, assume freehold yield of 9%, sinking fund of 3% and 40kobo in the Naira as tax.

1. White House Ltd. has a freehold interest in a residential property located at Obafemi Awolowo way, Ikeja, Lagos. In 2010, she granted a 16 years full repairing and insuring lease to Green House Investment at a rent of ₦ 3 000,000.p.a for half of the term and ₦ 3,500,000 p.a for the remainder. While in occupation for 5years, Green House Investment granted a sublease to Blue House Ventures for 9 years on full repairing and insuring terms. The rent reserved was ₦ 4,000,000 p.a rising by ₦ 1,000,000 after the first 5years. Exactly a year ago, Blue House Ventures sublet the property to Madam Pemishire for the rest of the term less one day at a rent of ₦ 6,000,000 p.a on full repairing on insuring conditions. A similar freehold property which was let at ₦ 6,000,000 p.a in 2015 for 8 years has just been sold for ₦ 720,000,000 while it has been established that this type of property is worth ₦ 7,000,000 p.a. The subject property is now a subject of acquisition for redevelopment. You have been assigned to advice on the Capital Value of all the interests hold by the parties. (15 marks)

2(a). What is marriage value? Describe four practical situations where marriage value can be said to exist. (5 marks)

(b) Rubic Nigeria Limited is in occupation of a commercial space with a net floor are of 250.0m² on a building lease having 20 years unexpired term at a rent of ₦ 5,000 / m² annually. Eight years ago, the property was leased to AJose Properties Ltd on a 21 years FRI lease tem at a ren of ₦ 28,000/ m² per annum. Rubic Nigeria Limited wishes to use the property as their headquarters and propose to buy others interests in the property.

You are required to:

- (i) advice all the parties on the capital value of their interest in the property
- (ii) what will Rubic Nigeria Limited interest worth after the merger of the intrests
- (iii) calculate the marriage value
- (iv) explain what accounted for the marriage vauie if any

(10 marks)

3(a) Briefly comment on the criticisms against the term and reversion and hardcore approaches (5 marks)

(b) A shop premises in Lagere, Ile-Ife were recently let for ₦ 100,000 per annum on a full repairing and insurance lease for 25 years with 5 years review. The freehold subject to the lease was subsequently sold for ₦ 1,250,000. You have been instructed by a client to value the freehold intrest in a comparable shop nearby let on FRI lease for 25 years with 5 year rent reveiw 2 years ago. The current market rent is ₦ 70,000 with an increase to full rental value at the next rent review.

You are required to calculate the market value of the freehold interest using

- (i) term and reversion approach
- (ii) hardcore approach



OBAFEMI AWOLOWO UNIVERSITY ILE-IFE
FACULTY OF ENVIRONMENTAL DESIGN AND MANAGEMENT
DEPARTMENT OF ESTATE MANAGEMENT

BSc. Estate Management Rain Semester Examination, 2016/2017 Session

ESM 212/202 – Principles of Property Valuation II Time Allowed: 3 Hours

Instruction: Answer ANY FOUR questions. All Questions carry equal marks. Assume and state necessary assumptions where necessary. Except where otherwise stated, assume freehold yield of 9%, sinking fund of 3% and 40kobo in the Naira as tax.

1. White House Ltd. has a freehold interest in a residential property located at Obafemi Awolowo way, Ikeja, Lagos. In 2010, she granted a 16 years full repairing and insuring lease to Green House Investment at a rent of ₦ 3 000,000,p.a for half of the term and ₦ 3,500,000 p.a for the remainder. While in occupation for 5years, Green House Investment granted a sublease to Blue House Ventures for 9 years on full repairing and insuring terms. The rent reserved was ₦ 4,000,000 p.a rising by ₦ 1,000,000 after the first 5years. Exactly a year ago, Blue House Ventures sublet the property to Madam Pemshire for the rest of the term less one day at a rent of ₦ 6,000,000 p.a on full repairing on insuring conditions. A similar freehold property which was let at ₦ 6,000,000 p.a in 2015 for 8 years has just been sold for ₦ 720,000,000 while it has been established that this type of property is worth ₦ 7,000,000 p.a. The subject property is now a subject of acquisition for redevelopment. You have been assigned to advice on the Capital Value of all the interests hold by the parties. (15 marks)

2(a). What is marriage value? Describe four practical situations where marriage value can be said to exist. (5 marks)

(b) Rubic Nigeria Limited is in occupation of a commercial space with a net floor are of 250.0m² on a building lease having 20 years unexpired term at a rent of ₦ 5,000 / m² annually. Eight years ago, the property was leased to AJose Properties Ltd on a 21 years FRI lease tem at a ren of ₦ 28,000/ m² per annum. Rubic Nigeria Limited wishes to use the property as their headquarters and propose to buy others interests in the property.

You are required to:

- (i) advice all the parties on the capital value of their interest in the property
- (ii) what will Rubic Nigeria Limited interest worth after the merger of the intrests
- (iii) calculate the marriage value
- (iv) explain what accounted for the marriage vaue if any

(10 marks)

3(a) Briefly comment on the criticisms against the term and reversion and hardcore approaches (5 marks)

(b) A shop premises in Lagere, Ile-Ife were recently let for ₦ 100,000 per annum on a full repairing and insurance lease for 25 years with 5 years review. The freehold subject to the lease was subsequently sold for ₦ 1,250,000. You have been instructed by a client to value the freehold intrest in a comparable shop nearby let on FRI lease for 25 years with 5 year rent reveiw 2 years ago. The current market rent is ₦ 70,000 with an increase to full rental value at the next rent review.

You are required to calculate the market value of the freehold interest using

- (i) term and reversion approach
- (ii) hardcore approach

- (iii) equivalent yeild approach
(iv) explain why your value estaimate in (i) to (iii) above differs

(10 marks)

4(a) Discuss the significance of the term "Premium" to the stakeholders of valuation citing practical examples. (5 marks)

(b) Senator Roberts proposes to surrender the lease which he held in respect of commercial premises having three years to run. He obtained a 16 years lease at a rent of ₦ 2,000,000 p.a. and paid a premium of ₦ 2,400,000. Senator Roberts has now approached the freeholder as he wishes to extend his term by surrendering his present lease for 24 years at the same rent of ₦ 2,000,000 p.a. A comparable property was recently leased for ₦ 6,000,000 with a freehold yield of 6 percent. He is prepared to pay three premium of equal value. One immediately the lease is granted, the second in 7 years' time while the last in the middle of the lease term. You have been approached to calculate the premium to be advanced. (10 marks)

5(a) "Premium is lump sum of money paid by tenant to a landlord in consideration for a reduction in rent". Discuss this statement with consideration to Estate Surveying and Valuation practice in Nigeria. What benefit(s) if any does premium has to landlord and tenant? (5 marks)

(b) Mr. Anjorin intends to take a lease of an office premises for 25 years at a rent of ₦ 7,500,000.00 per annum. The FRV of similar properties is ₦ 10,000,000.00 per annum. Return of investment at FRV is 7% and return on leasehold is 8% and ASF of 3% and tax factor is 40%. Advice Mr. Anjorin on the premium he should pay to the landlord. Justify why he should pay the premium. (10 marks)

6(a) What are the similarities and differences between Cost-in-Use and Virtual/Sitting rent? (5 marks)

(b) Black Blast Quarry Industry is considering three alternative design proposals of 5-Bedroom bungalows. The Annual running costs of Electricity, Maintenance and Cleaning are ₦4,500,000, ₦15,000,000 and ₦2,500,000 for Design A; ₦6,000,000, ₦18,000,000 and ₦4,100,000 for Design B, while Design C consisted of ₦3,800,000, ₦10,800,000 and ₦2,200,000 respectively. Initial Development costs stood at ₦12,400,000, ₦11,000,000 and ₦12,000,000. The firm will require ₦150,000,000 in 35 years' time and ₦100,000,000 in 30 years' time for redevelopment for design A and B respectively. Future replacement of certain services are in the ranges of ₦35,000,000 after 25 years and 50 years for Design A, ₦45,000,000 after 30 years and 50 years for Design B, while Design C will take ₦30,000,000 after 20 years and 40 years' time. Site acquisition cost for Designs A, B and C are ₦3,000,000 ₦4,000,000 and ₦5,500,000 respectively. Given that the anticipated life of buildings A and C is 60 years each, while B has 30 years or more extended by 35 years due to rebuilding. Given a Discount rate of 8% and Annual Sinking Fund of 3%, you have been consulted by the firm to advise by means of Cost-in-Use analysis on which is the most cost effective of the designs? (10 marks)



OBAFEMI AWOLOWO UNIVERSITY ILE-IFE
FACULTY OF ENVIRONMENTAL DESIGN AND MANAGEMENT
DEPARTMENT OF ESTATE MANAGEMENT

B.Sc. Estate Management, Quantity Surveying and Urban and Regional Planning
Rain Semester Examination, 2015/2016 Session
ESM 202 - Introduction to Property Valuation II **Time Allowed: 2 ¼ hours**

Instruction: Answer Question ONE and any other TWO. All Questions carry equal marks. A neat work will be appreciated. Assume 7% freehold yield, 3% sinking fund and 40k tax. State any other necessary assumption(s) where necessary to arrive at full answer.

1. Senator Chelsea has a freehold interest in a commercial 5 bedroom bungalow property located in Admiralty Way, Lekki Phase 1, Lagos. In 2002, she granted a 26 years full repairing and insuring lease to Chief Manchester a rent of ₦ 6,000,000 p.a for half of the term and ₦7,500,000 p.a for the remainder. While in occupation for 7 years, Chief Manchester granted a sublease to Comrade Liverpool for 9 years on full repairing and insuring terms. The rent reserved was ₦ 9,000,000 p.a rising by a quarter of the rent after the first 5 years. Exactly a year ago, Comrade Liverpool sublet the property to Mr Arsene Wenger for the rest of the term less one day at a rent of ₦ 12,000,000 p.a on full repairing on insuring conditions. A similar freehold property which was recently let at ₦ 14,000,000 p.a for 8 years has just been sold for ₦ 650,000,000. The subject property is now a subject of acquisition for redevelopment. You have been assigned to advise on the Capital Value of all the interests held by the parties. 20 marks

2. a. There are controversies on the relevance of Marriage Valuation in landed property appraisals. Discuss. 5 marks

King Oduduwa has the residue of 99 years building lease granted at fixed ground rent of N15,000 from the freeholder Chief Adediwura. The building lease has 76 years unexpired. Four years ago, King Oduduwa let the office edifice to Mallam Abubakar at a rent of 150,000 per annum on 20 years full repairing and insuring lease. Three years ago, Mallam Abubakar sublet the premises to Benson under a 10 years full repairing and insuring lease at a rent of N280,000 per annum with a rent review clause at the middle of the lease increasing by N70,000. Freehold interest in a similar property was recently sold for N7,250,000. You have been duly commissioned to:

- i. Advise all parties. 10 marks
- ii. If King Oduduwa wishes to purchase the property, how much should she offer for the interest of Chief Adediwura and Mallam Abubakar. 5 marks

3. a. Identify the similarities and differences between Cost-in-use and Virtual/ Sitting Rent 5 marks.

b. Engineer Ekeleme Josiah, a merchant developer, is considering three alternative block of flats design proposals, the result of which are contained in the table below. You have been commissioned to advise Engineer Ekeleme Josiah by means of cost-in-use analysis on which option is the most cost effective of the three.

Description	Design Option X	Design Option Y	Design Option Z
Site Acquisition Cost	₦ 3,000,000	₦ 4,000,000	₦ 6,000,000
Anticipated life of building	60 years	30 years extended by 30 years due rebuilding	60 years
Initial Development Cost	₦ 4,600,000	₦ 4,000,000	₦ 4,500,000
Redevelopments	₦ 50,000,000 in 30 years' time	₦ 60,000,000, in 30 years' time	Nil
Future replacement of certain parts/services	₦ 3,000,000 after 20 years and 40 years	₦ 5,000,000 after 15 years and 45 years	₦ 10,000,000 after 20 years and 40 years
Discount rate	6%	6%	6%
Annual sinking fund	3%	3%	3%
Annual Running Costs			
-Electricity			
-Clearing	₦420,000	₦500,000	₦550,000
-Maintenance	₦580,000	₦450,000	₦600,000
	₦850,000	₦700,000	₦900,000

15 marks

4. a. Discuss the concept of Premium and state its relevance to the stakeholders. 6 marks

b. Leventis stores Limited, held a lease of an office premises on a full repairing and insuring lease for 20 years, which was granted in 2000, desires to surrender its lease and wishes to obtain a fresh lease at the same rent passing. Meanwhile, the rack rent for the proposed lease is envisaged to increase by half, while the term is envisaged to decrease by half of the present term. The rent reserved under the present lease is ₦4,000,000 p.a. and the market rent is presently put at ₦6,000,000 p.a. You are required to determine what premium that can reasonably be advanced.

14 marks

5. Write short notes on the following with practical illustrations

- | | |
|--|---------|
| a. Valuation tables | 4 marks |
| b. Profit and Residual Methods of Valuation | 4 marks |
| c. Premium and Profit rent | 4 marks |
| d. Surrender and renewal of leases and Annual Equivalent | 4 marks |
| e. Purpose and Basis of Valuation | 4 marks |



OBAFEMI AWOLOWO UNIVERSITY ILE-IFE
FACULTY OF ENVIRONMENTAL DESIGN AND MANAGEMENT
DEPARTMENT OF ESTATE MANAGEMENT

B.Sc. Estate Management, Quantity Surveying and Urban and Regional Planning
Rain Semester Examination, 2014/2015 Session

ESM 202 - Introduction to Property Valuation II

Time Allowed: 2 ½ Hours

Instruction: Answer only FOUR (4) Questions. All Questions carry equal marks. A neat work will be appreciated. Assume 7% freehold yield, 3% sinking fund and 35k tax. State any other necessary assumption(s) where necessary.

1. Senator Christopher Adu holds a freehold interest in a three-floor commercial property located at Salvation Avenue, Off Opebi road, Ikeja, Lagos. In 2011, he granted a 16-year full repairing and insuring lease to Barrister Obanikoro at a rent of N1 million p.a. for half of the term per floor, and N1.5 million per annum for the remainder on similar floor basis. While in occupation for 2 years, Barrister Obanikoro granted a sublease to Chief Macauley for 9 years on full repairing and insuring term. The rent reserved was a total of N4 million p.a. rising by N2 million after the first 5 years. Exactly a year ago, Chief Macauley sublet the property to Ash Anderson, a legal firm, for the rest of the term less one day, at a total rent of N7 million p.a. on full repairing and insuring condition.

A similar freehold property which was let at 8 million p.a. for 8 years has just been sold for N320 million while it has been established that this type of property is worth N9,000,000 p.a. The subject property is now a subject of acquisition for redevelopment. You have been assigned to advice on the Capital Value of all interests held by the properties 15 marks.

2a. Value the freehold interest of Obasanjo Farm of 180 hectares. The farm is a good arable land with a full range of modern buildings. The evidence of recent sales include the sales of Shagari farm of 220 hectares with better land than Obasanjo farm land, consisting modern amenities was sold at N35 million. Then Jonathan farm is a poorer arable land and poor buildings consisting 170 hectares and costing N10 million. Lastly, Abubakar's farm of 30 hectares with good land but few buildings was sold for N8.1 million. Demonstrate your valuation accordingly and advise on the appropriate value opinion. 10 marks

b. What are the strength and weaknesses of profit and residual methods of valuation? 5 marks

3a. Enumerate five principal factors influencing the supply of land and building in a location of your choice in Nigeria. 5 marks

b. Mr. Adisa has a freehold interest in a property at Lagere, Ile-Ife. The property was let to Mrs Bola for 20 years 7 years ago on FRI basis at a rent of N200,000 p.a. The lease terms require that the leaseholder would pay an equal premium of N400,000 on entry at the end of 6th, 12th, and 18th years of the lease term. Also it was covenanted that Mrs Adisa would provide a new bore hole at a cost of N350,000 at the end of 10th year of the lease. He also wished to extend the frontage of the property in the 15th year of the lease at an estimated cost of N600,000. Similar property in the neighbourhood a rack rent of N350,000 per annum and it is envisaged that the property will worth n700,000 per annum at the end of the lease if all the proposed improvements are carried out. Value the two interests subsisting in the property. 10 marks

Initial capital investment of ₦1,500,000 and a yearly net receipt of ₦150,000 p.a. for 15 years with four yearly rent reviews. It is also estimated that there will be refurbishment to the tune of ₦250,000 in year 10. Given that the risk free rate is 9% and the risk premium on property is 2%. The all-risk yield in this case is 6%. Calculate the profitability index and advise Senator Buhari accordingly. (10 marks)

- (b) Enumerate the merits and demerits of the NPV approach as a viability technique (5 marks)

Question 4

(a) Chief Iwalewa intends to purchase a property along Jejelaye road through debt finance for ₦10,000,000.00k. Evidences from comparable properties indicates that such properties can be let for ₦1,500,000.00k p.a and it is expected to be received two years in advance at the first instance and then to increase by 20% every two years. Interest charges on debt finance are 20%. Advise Chief Iwalewa on the viability of the project, assuming a payback period of seven years. (10 marks)

- (b) Based on your advice to Chief Iwalewa, briefly enumerate the reasons for the choice of method and the factors that could affect the accuracy/validity of your calculations (5 marks)

Question 5

(a) As a development consultant, you are required to advise your client, Hon. Ojogbon on the viability of an investment which he seeks to undertake. The proposed cost outlay is as follows: Initial development cost of ₦95,000, and yearly net receipt of ₦18,000 in year 1; ₦24,000 in year 2; ₦26,000 in year 3; ₦26,000 in year 4; ₦30,000 in year 5 and ₦22,000 in year 6. Given that the cost of capital is 18%, Calculate the IRR of the project and advise Hon. Ojogbon based on your findings. (10 marks)

- (b) What are the practical problems with the use of the IRR as a viability technique (5 marks)

Question 6

Your client, LIVING SPRING Properties has requested for your professional services to determine the value of a site on which two (2) blocks of 6 Nos, 3-Bedroom flats are proposed. Total outgoings inclusive of all fees but exclusive of short term finance are ₦6,000,000 for the first year and ₦6,500,000 for the second year payable quarterly in arrears. The break down of cost is as follows:

First year		Second year	
Period 1	₦1,250,000	Period 5	₦1,500,000
Period 2	₦1,450,000	Period 6	₦1,750,000
Period 3	₦1,550,000	Period 7	₦1,750,000
Period 4	₦1,750,000	Period 8	₦1,500,000

It is envisaged that a block of 6 Nos, 3-Bedroom flats will be completed in 15 months and let immediately for ₦250,000 per quarter. The completed scheme with a total income of ₦2,000,000 per annum is to be sold for ₦35 Million once the remaining block is let within an estimated period of three months after building work is completed. Finance is obtainable at 4% per quarter and a return to cover risk and profit at 17% of capital is desired. Determine the value of the site using (i) The Net Terminal Value Approach and (ii) Net Present Value Approach. (15 marks)