KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2018/2019

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF ARCHITECTURE

BRE 309: APPLIED VALUATION 1

DATE: Wednesday, 19th December 2018 TIME: 8.00a.m-10.00p.m

INSTRUCTIONS:

ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

Question One

i. Briefly define the three bases of value (3 Marks)
ii. Briefly discuss the valuation process (6 Marks)
iii. Differentiate between YP dual rate and YP single rate (4 Marks)
iv. Outline the steps involved in valuing a sugar cane plant (4 Marks)
v. Outline the procedure involved in the valuation of a property for insurance purposes (3 Marks)
vi. Mr. Kiprono owns a plot measuring 0.2072 of a hectare in Iten Town. The term of the lease is 99 years from 1st December 1920 at an annual ground rent of KES. 10. He has approached his Bank for a credit facility to be secured by this property. The bank has accepted with a condition that he has to apply for lease extension because the remaining term is too short. The National Land commission has approved 50 years extension. Calculate the rent payable under the new term. Assume: value at KES. 600 per square metre, yield of 6% and sinking fund of 3% (10 Marks)

NB: As a policy, the percentage rate of 5% is currently being adopted for residential, commercial and industrial enhancement.

Question two

Prepare a valuation in respect of Greenland Hotel, whose accounts for the next 5 years (year 2018 to Year 2022) are estimated as follows:

Revenue	2018	2019	2020	2021	2022
Rooms Department	900,000	1,000,000	1,200,000	1,300,000	1,350,000
Food and Beverage Department	600,000	700,000	750,000	800,000	850,000
Other operating Departments and telephone	90,000	100,000	110,000	120,000	125,000
Expenses					
Rooms Department	160,000	180,000	185,000	200,000	200,000

*INVOLVEMENT IN ANY **EXAMINATION IRREGULARITY** SHALL LEAD TO **DISCONTINUATION***

Food and beverage Department	340,000	360,000	370,000	385,000	390,000
Other operating Departments	20,000	25,000	30,000	35,000	40,000
Unallocated Expenses	250,000	280,000	300,000	320,000	350,000

Assume the following:

i. The hotel is held on a leasehold interest for a term of 30 years with effect from 1st December 2015
ii. The income and expenses will grow at a rate of 5% annually
iii. A yield of 10% for the term and 12% on reversion

(20 marks)

Question three

Undertake a detailed valuation (explaining all assumptions made) of both the lessor's and lessee's interest in a commercial property having the following characteristics:

A freeholder granted a 25 years full repairing and insurance lease of a commercial property with gross external area of 2500 square feet three years ago with an agreed rent of KES. 100 per square feet per month for the first 5 years with a prearranged further increase of the rent to KES. 120 per square foot per month for the next five years and thereafter subject to 10% rent review every 5 years.

Assume that there has been significant rise in market rental levels in the recent past such that they are currently estimated at KES. 170 per square foot per month. Assume also that a market All risk yield of 10% is deemed to apply to this type of real estate investment. Assume further, the leaseholder will be required to set up a sinking fund at a net rate of 5% per annum. Outgoings are estimated at 10% of the gross income (20 Marks).

Question four

Housing Development Company of Kenya (HDCK) wishes to purchase 1.5 hectares of freehold land in a good residential neighbourhood in Nairobi at a price of KES. 200,000,000/=. Planning permission will be available to subdivide the land and erect thereon 60 high quality apartments, each with a plinth area of 160 square metres and an estimated cost of KES. 40,000 per square metre including professional design fees. The total development period from planning through construction to disposal will take four years including the construction period of 2 years. Similar properties in the neighbourhood have recently been sold for KES. 19,000,000 each, and the current going rents in the neighbourhood average KES. 80,000 per month per unit. HDCK is borrowing at 16% on capital and is happy with a developer's profit of 15%

(a) Prepare a development valuation to enable HDCK take a decision on the proposed development

(b) You are also required to express an expert opinion whether the houses should be let or sold outright

(c) Assuming HDCK has not agreed with the purchaser on the price of land, prepare a residual valuation to advise HDCK on a reasonable price to pay for the land. (20 Marks)

Question Five

With special reference to Kenya, discuss:

a) The substantive principles of assessment of compensation for real estate property that is due for compulsory acquisition (12 Marks)
b) The procedure followed by the government in undertaking compulsory acquisition as stipulated in the Land Act No. 6 of 2012 (8 Marks)