KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2019/2020

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELOR OF SCIENCE IN REAL ESTATE

BRE 205: PRINCIPLES OF VALUATION

DATE: Tuesday, 17th December 2019 **TIME:** 2.00 p.m. - 4.00 p.m.

INSTRUCTIONS:

Question One

a) Explain the importance of the following as relates to the valuation profession:

i. Letter of instruction. (2 marks)

ii. Limiting conditions (2 marks)

iii. Assumptions (2 marks)

iv. Site visit (2 marks)

v. Survey map (2 marks)

b) with the aid of appropriate examples discuss two approaches to valuation namely:

i. Contractors. (10 marks)

ii. Investment (10 marks)

Question Two

a) Differentiate between cost, price and value giving relevant examples. (10 marks)

b) Explain five (5) various documents that a valuer can rely on as proof of ownership of real estate. (10 marks)

Question Three

a) For residential properties valuers prefer to use comparability approach to arrive at market values. Explain in details five (5) factors to consider in such circumstances for properties within the same estate. (10 marks)

b) Explain the major contents of a valuation report. (10 marks)

Question Four

a) Using the cost approach advise a bank on the reserve price for a defaulting borrower whose property details are as below:

   i. 1/4 an acre plot where comparable plots go for Ksh. 2,000,000/= per acre.

   ii. Built up area of the building is 1500 sq.ft approximately.

   iii. Cost of construction is Kshs. 35,000 per sq. meter for new building exclusive of professional fees.

   iv. The building is 15 years old in a good condition of maintenance and repair.

   Explain each step of your calculation indicating any applicable assumptions. (15 marks)

b) A group of 5 students agree to solicit funds from their parents in a bid to start a joint business in 5 years' time. At a compound interest of 10% how much money will they have accumulated for the joint business if each is to deposit Kshs. 250,000/= per annum.

Question Five

Discuss the following statutory valuations:

a) Valuation for stamp duty. (10 marks)

b) Compulsory acquisition (10 marks)