KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2020/2021

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELOR OF SCIENCE IN REAL ESTATE

BRE 205: PRICIPLES OF VALUATION

DATE: Tuesday, 30th March 2021 TIME: 2.00p.m-4.00p.m

INSTRUCTIONS:

1. This paper contains FIVE (5) questions in two sections
2. Section A is COMPULSORY and carries 30marks
3. All questions in **Section B** carry equal marks-20 marks. Answer **ANY TWO** questions of your choice from this section
4. Do not forget to write your registration number
5. Do not write any answer on this question paper

SECTIONA(COMPULSORY)

Question One (30 marks)

Using specific examples explain the following:

(a) The difference between market value and market price (5 marks)

(b) The difference between value and cost (3marks)

(c) How a single property can have different value at the same time (2marks)

(d) Difference between capital and income (2marks)

(e) The three basic motives why people and organizations spend money on Real Estate(6marks)

(f) Three factors that determine the highest value for a property (6 marks)

(g) The various methods by which an interest in landed property can be acquired or sold. (6marks)

SECTION B

Question Two (20 marks)

(a) Property valuers must possess and be competent in a diverse range of skills. Outline and explain why each skill is important in property valuation (16 marks)

(b) Describe the main tasks undertaken by valuers (4marks)

Question Three (20 marks)

The management of Kenyatta University has consulted you to value its land and buildings which is the most appropriate method that you will adopt to determine the value? Justify your answer by comparing the best method vis-a-vis all the other methods. (20marks)

Question Four (20 marks)

(a) A owns the freehold interest in a 1964 semi-detached house which is to be sold with vacant possession. It has three bedrooms, bathroom and separate WC on the first floor and a living room and kitchen on the ground floor. There is a garage at the rear of the house with an access shared by the adjoining houses. No improvements have been carried out apart from taking down the wall between the former front and rear rooms to form a through living room, and the installation of central heating. The bathroom and kitchen need to be modernized. The property is in a fair state of repair. Several nearby similar properties have sold recently for prices in the range of Kshs 2,650,000 to Kshs 3,050,000, the most recent being in the next pair to A's house, built at the same time with identical accommodation but requiring a new boiler. The bathroom and kitchen were recently fitted. It is in good repair. The house sold for Kshs 2,900,000. Another house in the same street, also built at the same time and with the same basic accommodation but with a newly fitted kitchen and bathroom, a new boiler and with a ground floor cloakroom, and having an independent drive to the garage, all in good repair, sold recently for Kshs 3,050,000.

Stating all your assumptions, estimate the value of A's house. (5 marks)

(b) Value the freehold interest in two hectares (five acres) of residential building land with consent to build 42 houses. (5marks)

Recent comparable land sales include:

i. Three hectares (7.5acres) with consent to build 60 houses, sold for Kshs 36,000,000

ii. Five hectares (12.5 acres) with consent to build 60 houses, sold for Kshs 62,500,000

iii. 0.4 hectares (one acre) with consent to build six houses, sold for Kshs 6,000,000

(c) Describe the factors that affect the value of agricultural land. (10 marks)

Question five (20 marks)

(a) Different factors affect different property values differently. Discuss (10 marks)

(b) Value the freehold interest in a vacant house with permission to redevelop with a shop and offices. The shop will have a frontage of 6m and an internal gross depth of 20m. Two floors of offices will be built over the shop with separate access and will provide $90m^2$ NIA of offices per floor, $205m^2$ GIA. The offices are expected to let at Kshs 200 per m^2 and the shop at Kshs 60,000p.a and the completed property should sell on the basis of an 8.5% return. (10 marks)

NB:YP or PvKshs 1 p.a in perp. at 8.5%=11.765