

Cover Type B



University of Technology, Sydney

**TO BE RETURNED AT THE END OF THE EXAMINATION.
THIS PAPER MUST NOT BE REMOVED FROM THE EXAM CENTRE.**

SURNAME: _____

FIRST NAME: _____

STUDENT NUMBER: _____

COURSE: _____

SPRING SEMESTER EXAMINATION 2011

SUBJECT NAME : Valuation Methods

SUBJECT NO : 16234

DAY/DATE : 16 November 2011

TIME ALLOWED : 2 Hours plus 10 minutes reading time

START/END TIME: 14:00 - 16:10

EXAM: 50 Marks

NOTES/INSTRUCTIONS:

- 1. Non programmable financial calculators are permitted**
- 2. All questions are to be answered**
- 3. All workings are to be shown**

Question 1 (10 marks)

Determine the price to be paid for a development site in an office precinct of the Sydney CBD based on the following information:

Project Period	12 Months
NLA	5000 m ²
GBA	5800 m ²
Parking	65 spaces (basement)
FSR	8:1
Site Area	725 m ²
Rent	\$400 / m ² net
Capitalisation Rate	?
Legal on Sale	\$25,000
Agents Commission	1%
Marketing	\$100,000
Profit & Risk Factor	25%
Council Rates	\$20,000
Water Rates	\$25,000
L/Tax	\$130,000
Insurance	\$55,000
Valuer	\$10,000
Surveyor	\$2,500
Sect 94	\$50,000
DA Cost	\$60,000
Demolition	\$75,000
Geo Tech Report	\$10,000
Construction	
Office/Retail	\$1,700 / m ²
Parking	\$20,000 / space
Professional Costs	\$1,220,000
Cost of money	8% p.a.
Stamp Duty / Legals on purchase	6%

The following two office buildings recently sold after completion.

Sale 1:

Sale Price:	\$8,100,000
Gross Rent:	\$865,000
Outgoings:	25%

Sale 2:

Sale Price:	\$7,000,000
Gross Rent:	\$750,000
Outgoings:	25%

Question 2 (10 marks)

Easements, covenants and life interests are partial interests in land. Describe one of these interests in detail, providing an example and discuss how this interest is valued or may impact on the value of land.

Question 3 (10 Marks)

You have been instructed to value a 6 level office building which is serviced by two lifts. Each floor has a net letable area of 400 m². Investigations have revealed that one of the lifts needs to be replaced immediately at a cost of \$100,000. From your analysis, you have determined that a three month rent free period is to be given to an incoming tenant.

Levels 1-3 are leased at a rental of \$420,000 p.a. gross, with next rent review to market in 24 months. Levels 4-6 are vacant.

The market rent for this type of office space is \$500.00 / m² gross

Outgoings \$100/m²

Capitalisation rates for this type of property are 8%

Determine the value of this property and any other interest that may exist. Your answer should include workings and a supporting commentary setting out your rationale.

Question 4 (10 Marks)

The building plan below is of a six storey office building which is 50 metres deep by 30 metres wide. Using the following information:

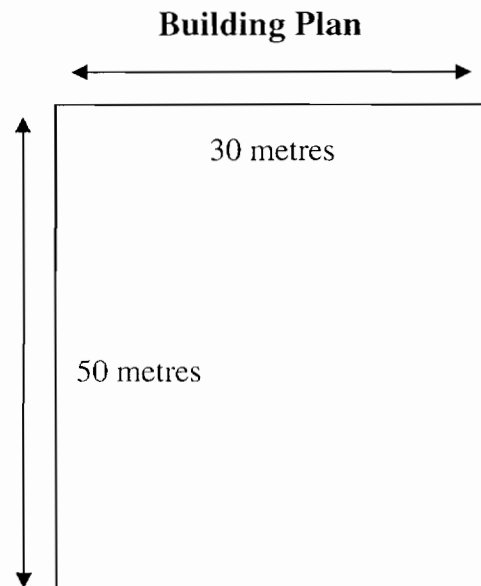
Part A (7 marks)

Prepare an insurance replacement valuation of this building as at today's date based on the following information

- Cost to build office buildings is \$2000 / m²
- Demolition and removal of the building costs \$150/m²
- Cost of money 8%
- Work on a one year turnaround for the rebuilding
- Professional fees are 10%

Part B (3 marks)

Provide a list of insurance cover items you would suggest for this building and discuss the items of information you would require in compiling this cover.



Question 5 (10 Marks)

You have been requested to undertake a valuation of a property at Randomville. The property comprises two retail shops and four levels of office space above. Discuss your terms of engagement, what investigations you would undertake, information you would require and any assumptions you would need to qualify in undertaking this job.

Discuss the valuation methodology you would use and information you would need in using this methodology. How would you structure your fee and what information would you provide in your report.

End of Exam