NATIONAL UNIVERSITY OF SINGAPORE

GEM2000 – FOUNDATIONS OF REAL ESTATE APPRAISAL

(Semester I: AY2013-14)

Time Allowed: 2 hours

INSTRUCTIONS TO CANDIDATES

1. This examination paper contains **FOUR** questions and comprises **TWO** printed pages.
2. Answer **ALL** questions.
3. The marks for each question are shown in brackets and add up to **100**.
4. This is an OPEN BOOK examination.
5. The examiner for this module is Dr Addae-Dapaah, Kwame.

Answer **ALL** questions.

Question 1 (30 marks)

Every sacrifice that we make in life, whether to get a university degree, win an Olympic medal or own an asset, is a function of our future expectations. However every valuation is invariably based on history. This practice creates a paradox. Discuss.

Question 2 (25 marks)

The valuation date in the definition of the problem section of the valuation process is both a defence for, and a prosecutor of the valuer. Discuss.

Question 3 (25 marks)

Mr. George Shea wants to buy a condominium unit and thus has approached you for a valuation which will be used to arrange a mortgage for the transaction. The condominium unit is on the market at an asking price of S$2.6 million. After a comprehensive due diligence, you arrive at a market value estimate of S$2.5 million for the unit. Mr. Shea thinks that your valuation is very conservative as in his opinion, the condominium unit is worth about 10% to 20% more than your valuation simply because his dear mother lives very near the subject property. However Mr. Shea takes your valuation report to a bank in Singapore for a mortgage for the purchase of the property. The bank officer is sympathetic to Mr. Shea who wants to bid S$2.8 million for the property. Therefore the bank officer calls you to amend your valuation of the property to S$2.8 million to account for the fact that Mr. Shea's mother lives near the property.

Discuss the valuation concepts involved in the above scenario and clearly state what you will do under the circumstance and why.

Question 4 (20 marks)

Given that the mortgage constant (MC) for 20 years at 4% per annum is 0.07358175 and the present value (PV) of S$1 in 10 years at 4% is 0.675564169, calculate the years' purchase (YP), i.e. the present value annuity factor (PVAF) in 30 years at 4%.

(USE ALL THE GIVEN FIGURES TO SHOW DETAILED CALCULATIONS AND CLEARLY EXPLAIN THE RELATIONSHIP(S) BETWEEN THE FORMULAE THAT YOU EMPLOY TO RESOLVE THE PROBLEM)

END OF PAPER