



the  
UNIVERSITY  
of  
GREENWICH

**EXAMINATION PAPER: ACADEMIC SESSION 2006/2007**

<b>Campus</b>	<b>Avery Hill</b>
<b>School</b>	<b>Architecture and Construction</b>
<b>Title of Programme:</b>	<b>BA/BSc (Hons) Real Estate</b>
<b>Course Code:</b>	<b>LAND 1012</b>
<b>Course Title:</b>	<b>Applied Commercial Property Investment</b>
<b>Level:</b>	<b>3</b>
<b>Duration:</b>	<b>3 hours</b>
<b>Date and time:</b>	<b>22<sup>nd</sup> May 2007, start 2 pm</b>

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**Candidates must comply with the 'Instructions to Candidates' printed on the examination answer book.**

**Answer FOUR questions in total, TWO from each section**

**You are permitted to use Parry's Valuation tables and an electronic calculator.**

## Section A

1. A commercial premises of 10,000m<sup>2</sup> was let on a 56 year full repairing and insuring lease from 1 May 1965 with 14 yearly rent reviews. Similar properties in the area are being let at £40/m<sup>2</sup> on the basis of a 25 year lease with 5 year rent reviews. Your analysis of recent sales shows the all-risk yield to be 4%.

Assuming long dated gilts are 5%; calculate the rent on review on 1 May 2007 that the landlord should receive to compensate for the rent review pattern. Annotate your calculation with appropriate notes.

2. A 10,000m<sup>2</sup> warehouse is let on a 20 year full repairing and insuring lease with five yearly upward only rent reviews from 1 May 2004 at £70/m<sup>2</sup>. A similar warehouse of the same size was recently let at £90/m<sup>2</sup> and then sold on to an institution for £18,000,000.

Value the freehold interest as at 1 May 2007 using a modern growth explicit valuation, providing comments on the various elements of the calculation. Assume long dated gilts are yielding 5%.

3. Consider the economic and managerial reasons for the high failure rate of restaurant business in the UK.
4. Outline the main design and operational requirements of a modern mid range golf course, and comment on the various basis of tenure that may be appropriate.

## Section B

5. You have been provided with the following accounts for a small restaurant. Using the profits method, provide a valuation of the freehold interest valuation. Your answer should use an appropriate yield, which you should justify and outline the various steps required in reconstituting the accounts.

<u>Sales</u>	£
Food	500,000
<u>Cost of sales</u>	200,000
Total Gross	300,000
Profit	
<u>Operating Expenses</u>	
Payroll	150,000
Rent	30,000
Linen	7,000
hire/Laundry	
Heating & lighting	8,000
Print/post /phone	2,000
Advertising	3,000
Flowers	2,000
Legal	1,000
Transport	3,000
Equipment hire	2,000
Repairs & Renewals	3,000
Rates & Water	9,000
Insurance	1,500
Bank Charges	2,800
Depreciation	3,000
Accountancy	2,000
Stock taking	1,000
Mortgage	900
Interest	
Sundry expenses	2,800
Total over heads	234,000
<b>Net profit</b>	<b>66,000</b>

6. Why are sale and leaseback transactions proving popular for major companies in the UK in the past few years?
  
7. Outline the impact of Landlords (Covenants) Act 1995 on the property investment since its inception in 1996
  
8. Give an account of the legislative measures that were required to create a viable securitised property market in 2007.