



*the*  
UNIVERSITY  
*of*  
GREENWICH

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

**Campus:**                                    **Avery Hill**

**School:**                                      **Architecture and Construction**

**Title of Programme:**                    **BSc (Hons) Real Estate**

**Course Code:**                            **BUIL1030**

**Course Title:**                            **APPLICATIONS 2**

**Level:**                                        **2**

**Duration:**                                 **2 hours**

**Date:**                                        **22<sup>nd</sup> May 2007, start time 2 pm**

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#### **INSTRUCTIONS TO CANDIDATES & FOR INVIGILATORS**

**Answer three questions including at least one from section A**

**You can answer either two questions from section A and one from section B, or one from section A and two from section B.**

**If answering question [1] please make sure that you answer all parts (a &b)**

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

## **Section A**

1. a) Value the freehold interest in an office building in Sidcup . The property has a floor area of 900m<sup>2</sup> and rack rented yields are currently 5.0%. The property is held under the terms of a 25-year FRI lease from May 25<sup>th</sup> 1982, at a current rental of £130,000 per annum with rent reviews at five yearly intervals. The tenant is a firm of Architects, who with landlord's consent extended the building in 1997. This increased the net internal floor area from 600 m<sup>2</sup> to the existing 900m<sup>2</sup>. The landlord has served a S25 notice and both parties are keen to negotiate a new lease. Proposed terms are for a 15 year lease, with upward only rent reviews at three yearly intervals and with full repairing covenants. The Rateable Value is £90,000. The current cost of improvements equates to £1,000m<sup>2</sup>.

Comparable evidence suggests that market rents for similar office buildings are currently £210 m<sup>2</sup>. Quote any relevant legislation or case law.

**(18 marks)**

- b) How would the valuation in **part a)** differ if instead we assume that the landlord had successfully opposed the grant of a new lease in order to occupy it for his own business purposes? Please also quote any relevant legislation and case law.

**(15 marks)**

2. Value the various interests arising out of the initial transaction in 1992. You should decide on appropriate yields and give reasons for your choice.

In 1992 Southwood Borough Council sold a 125 year building lease to Avery Developers for £150,000 at a rent of £150 per annum. The demised premises comprised a site for development as an industrial building of 1,000m<sup>2</sup>. The building lease was subject to rent reviews every 25 years. The rent at review was to be based on 1% of the market rental at the date of review.

In 1995 Avery Developers completed work on the industrial building and let it to a major manufacturing company, Mick's tractors, for a term of 25 years with five yearly reviews. The rent was last reviewed in 2005 and is currently £70,000 per annum. The current rental value is £90,000 per annum; the next review is due in 2010.

3. Mr B is the lessee of a bookshop in Eltham. He has recently agreed to sell his business and assign the residue of his leasehold interest to a prospective purchaser Mr A. The lease expires in three years time and is a standard commercial lease with five yearly rent reviews and full repairing covenants. The current rent is £15,000, but the full rental value is £22,000. Mr A cannot find a bank to lend money on a “stub-end lease” such as this, unless the lease can be extended to offer better security. Because of the problems in raising finance the landlord has agreed to accept a surrender of the existing lease from Mr B and grant Mr A, new 10 - year lease on FRI terms, with a review at year five, at which time the rent will revert to the full rental value. Freehold yields are currently 8.0%. What rent should be agreed as a result of this surrender?

**(33 marks)**

### **Section B**

4. Rule 5 Section 5 Land Compensation Act 1961 allows for compensation to be based on ‘equivalent reinstatement’. Consider the application of this rule supporting your answer by reference to relevant case law. Your answer should provide an example of a valuation to support your arguments.

**(33marks)**

5. “It is not planning permission itself which creates value” (Viscount Camrose v Basingstoke Corporation, 1966). Discuss this statement with reference to the assumptions, which may be made regarding planning permission when valuing land subject to compulsory purchase.

**(33marks)**

6. What is meant by “Market Value”? Discuss alternative concepts of value in property.

**(33 marks)**