

The University of Melbourne
Semester Two Assessment 2006

Student Number:

Faculty of Architecture, Building and Planning

Subject Number: 702-115

Subject Title: Introduction to Property

Reading Time: 15 Minutes

Exam Duration: 3 hours

This paper has 4 pages

Identical Examination Paper: 702 – 815 Introduction to Property (Postgraduate)

Authorised Materials:

The following items are authorised:

- (a) Electronic calculators (any model)
- (b) English/foreign language dictionaries (no electronic versions)

Instructions to Invigilators:

Standard script books only required.

The examination paper is **NOT** to be removed from the examination room.

Instructions to Students:

Candidates are to attempt all **FOUR (4)** questions in this examination.

All questions are of equal value (25 marks).

This examination paper is worth **60%** of the final assessment for this subject.

The weighting for each question is indicated.

Start each question on a new page of the script book.

In the absence of specific information, candidates are expected to make reasonable assumptions and state them in their answer.

Paper to be held by Baillieu Library: This examination paper will be lodged with the Baillieu Library after the completion of the examination period.

ANSWER ALL QUESTIONS

QUESTION ONE

Property Development

The property development process can be broken down into four main stages. Describe the main activities taking place at each of these stages and identify the major participants, parties and organisations involved. **(25 marks)**

QUESTION TWO

The Financial Functions using the 10% financial tables attached

(5 marks each = 25 marks total)

- (a) What is the present value of an income of \$50,000 per annum for 15 years at 10%?
- (b) The carpet in an office has to be replaced in 7 year's time. The total estimated cost of replacing it with new carpet is \$200,000. What annual amount would you set aside if the rate of interest is 10%?
- (c) What is the future value of a property providing a lump sum of \$500,000 today and providing a rental income of \$30,000 per annum? Interest rate is 10%.
- (d) What are the annual mortgage instalments on \$300,000 for 10 years, 15 years and 25 years? Assume an interest rate of 10%.
- (e) What is the present value of a property expected to sell for \$600,000 in 8 year's time and returning a rental of \$15,000 per annum assuming an interest rate of 10%?

QUESTION THREE

Answer any ONE (1) of the following two questions:

- (a) When comparing property with other types of investment, real property has certain essential and unique characteristics. Describe these characteristics and discuss whether some of these differences are being eroded over time or due to technological innovation. **(25 marks)**

OR

- (b) The pursuit of the highest and best use of sites explains why some sites are continually under pressure for development and redevelopment whilst others are not under such pressure.

Discuss this statement.

(25 marks)

QUESTION FOUR

Answer any ONE (1) of the following two questions:

- (a) The planning scheme and the transportation network determine the type and form of development and when it will take place.

Discuss.

(25 marks)

OR

- (b) The typical urban land use pattern divides into four major zones: central business district, zone of transition, suburban area and rural-urban fringe. Describe the characteristics of each of these zones and relate each of them to a city you are familiar with. **(25 marks)**

10% Financial Tables

10%						
Years	FV of 1 $A=(1+i)^n$	PV of 1 $V=1/A$	FV of 1 pa $(a-1)/i$	ASF $V(A-1)$	PV of 1 pa $(1-V)/i$	Annuity $i+ASF$
1	1.1000	0.9091	1.0000	1.0000	0.9091	1.1000
2	1.2100	0.8264	2.1000	0.4762	1.7355	0.5762
3	1.3310	0.7513	3.3100	0.3021	2.4869	0.4021
4	1.4641	0.6830	4.6410	0.2155	3.1699	0.3155
5	1.6105	0.6209	6.1051	0.1638	3.7908	0.2638
6	1.7716	0.5645	7.7156	0.1296	4.3553	0.2296
7	1.9487	0.5132	9.4872	0.1054	4.8684	0.2054
8	2.1436	0.4665	11.4359	0.0874	5.3349	0.1874
9	2.3579	0.4241	13.5795	0.0736	5.7590	0.1736
10	2.5937	0.3855	15.9374	0.0627	6.1446	0.1627
11	2.8531	0.3505	18.5312	0.0540	6.4951	0.1540
12	3.1384	0.3186	21.3843	0.0468	6.8137	0.1468
13	3.4523	0.2897	24.5227	0.0408	7.1034	0.1408
14	3.7975	0.2633	27.9750	0.0357	7.3667	0.1357
15	4.1772	0.2394	31.7725	0.0315	7.6061	0.1315
16	4.5950	0.2176	35.9497	0.0278	7.8237	0.1278
17	5.0545	0.1978	40.5447	0.0247	8.0216	0.1247
18	5.5599	0.1799	45.5992	0.0219	8.2014	0.1219
19	6.1159	0.1635	51.1591	0.0195	8.3649	0.1195
20	6.7275	0.1486	57.2750	0.0175	8.5136	0.1175
21	7.4002	0.1351	64.0025	0.0156	8.6487	0.1156
22	8.1403	0.1228	71.4027	0.0140	8.7715	0.1140
23	8.9543	0.1117	79.5430	0.0126	8.8832	0.1126
24	9.8497	0.1015	88.4973	0.0113	8.9847	0.1113
25	10.8347	0.0923	98.3471	0.0102	9.0770	0.1102
26	11.9182	0.0839	109.1818	0.0092	9.1609	0.1092
27	13.1100	0.0763	121.0999	0.0083	9.2372	0.1083
28	14.4210	0.0693	134.2099	0.0075	9.3066	0.1075
29	15.8631	0.0630	148.6309	0.0067	9.3696	0.1067
30	17.4494	0.0573	164.4940	0.0061	9.4269	0.1061
31	19.1943	0.0521	181.9434	0.0055	9.4790	0.1055
32	21.1138	0.0474	201.1378	0.0050	9.5264	0.1050
33	23.2252	0.0431	222.2515	0.0045	9.5694	0.1045
34	25.5477	0.0391	245.4767	0.0041	9.6086	0.1041
35	28.1024	0.0356	271.0244	0.0037	9.6442	0.1037
36	30.9127	0.0323	299.1268	0.0033	9.6765	0.1033
37	34.0039	0.0294	330.0395	0.0030	9.7059	0.1030
38	37.4043	0.0267	364.0434	0.0027	9.7327	0.1027
39	41.1448	0.0243	401.4478	0.0025	9.7570	0.1025
40	45.2593	0.0221	442.5926	0.0023	9.7791	0.1023

END OF EXAMINATION