



Gold Coast, Australia

**Faculty of Business, Technology &
Sustainable Development**

School of Sustainable Development

**SSUD 12-230 and SSUD 71-230
Property Investment Valuation**

Subject Outline

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Semester 2 2009**



**School of Sustainable Development
Faculty of Business, Technology and Sustainable Development**

**SSUD 12-230 and SSUD71-230
Property Investment Valuation**

LECTURER:	Dr. Lynne Armitage Office: Room 2_05_03, i.e. 1 st floor, SSD Building Phone: 07 5595 2271 Email: Lynne_Armitage@bond.edu.au
CLASS TIMES:	Tuesdays noon to 3.30 p.m.
OFFICE HOURS:	Refer to door schedule; other times by prior appointment
PRE-REQUISITES	SSUD11- or 71-200 Principles of Property Valuation

ATTENTION STUDY ABROAD STUDENTS – BY ENROLLING IN THIS SUBJECT IT IS ASSUMED THAT YOU HAVE ALL NECESSARY PRE-REQUISITES. IF YOU ARE UNCERTAIN PLEASE SPEAK TO YOUR LECTURER OR ONE OF THE FACULTY ADVISERS FOR CLARIFICATION.

1. SUBJECT AIMS:

This subject builds on students' previous knowledge and skills developed through the prerequisite subject, Principles of Property Valuation, as well as legal and economic foundation units. The aim is to provide students with an array of knowledge, skills and attitudes appropriate to a valuer of freehold investment class properties. The subject will draw upon the current property market and the assessment will require students to collect and analyse market data from a range of defined sources. Students will also be given the opportunity to acquire the necessary analytical tools to work through property market specific supply and demand issues, identify future market trends and objectively evaluate current issues affecting property being valued. The summative (graded) assessment will be achieved by the completion, at an introductory professional standard, of two comprehensive valuation reports based on field inspections.

2. LEARNING OBJECTIVES:

This subject seeks to support student learning by:

1. Offering students a range of theoretical and practical skills for the valuation of varied investment property interests
2. Encouraging an interdisciplinary approach to valuation theory and practice
3. Prompting students to organize their study time effectively
4. Enabling students to produce competent valuation reports for investment grade property and reasoned opinions of value at a credible professional standard.
5. Providing a framework for students to integrate their learning across valuation focused study during the current and previous semesters.
6. Enabling theory and practical work to be effectively integrated.

3. GRADUATE ATTRIBUTES

All subjects at Bond University are designed to develop students' graduate attributes.

The attributes that will be developed as part of this subject include:

Knowledge
Initiative
Communication Skills

More specifically, at the end of the semester students should be able to demonstrate the following attitudes, knowledge and skills as a consequence of successful completion of this subject:

Attitudes

- Be aware of the interdisciplinary nature of valuation
- Exhibit a responsible professional approach to the valuation process
- Be prepared to state individual opinions of value
- Be responsible for their own learning and time management
- Perceive the need for continuous upgrading of their knowledge of the valuation process in their subsequent professional practice
- Be more prepared for the work environment.

Knowledge

- Understand concepts of value, purposes and processes of valuation and their relevant application
- Be aware of external influences on property and assess their impact on value
- Understand the components of the valuation process
- Know the relevant applications of an extended range of valuation methods and analysis skills
- Have an increased understanding of the property market and its social, economic and environmental context

Skills

- Produce thoroughly researched, independent opinions of value for various types of property using any of the relevant techniques
- Produce and present professional valuation reports
- Be able to support verbally an opinion of value
- Apply continuously updated market analysis
- Contribute effectively to group work in a range of class and field based contexts

By combining these various abilities students should:

- be prepared for subsequent specialized valuation studies later in their program of study
- rapidly progress (after gaining relevant professional experience in their employment) to be fully competent professional valuers, upon completion of their university studies.

The contribution of the teaching staff to each student's progress is accepted but the final responsibility rests with each student so make use of the tutorial sessions – we are there to help you.

4. REQUIRED READINGS & MATERIALS:

Texts and References

The notes are available on *i-Learn* as on-line teaching material. There are no major items of expenditure associated with this subject but *you are strongly advised, as soon as practicable, to join the Australian Property Institute (API) as a student member at a cost of about \$40 and to join the RICS as a student member at no cost.*

Your membership of the API will provide you with the Professional Practice CD, which provides a wealth of information for your current academic and future professional needs and development. In combination with the *i-Learn* material, it is the nearest thing to a useful textbook we have.

Relevant web sites include those of the principal professional valuation and appraisal bodies in Australia (propertyinstitute.com.au and rics.org.au) and overseas, such as, the New Zealand Property Institute, the UK (rics.org.uk – this is an excellent site with excellent links to related organisations) and the US Appraisal Institute. All of these have some useful links to related organisations.

Australian Property Institute (latest edition), *Professional Practice 2006*, API, Canberra.
(or online version, available to members)

Australian Property Institute (various), *API Journal*, Sydney

Property Council of Australia (1997, or latest edition), *Practice Note - an owner's guide to briefing valuers*, PCA, Sydney (also incorporated in the *API Professional Practice*)

Isaac D, and Steeley T (current edition), *Property Valuation and Techniques*, Macmillan, London

Millington AF (current edition), *An Introduction to Property Valuation*, Estate Gazette, London

Scarrett D (current edition), *The Five Methods of Valuation*, EF & N Spon, London

Whipple, RTM (2006) *Property Valuation and Analysis - 2nd edition*, Law Book Co., Sydney.

Many of these, plus other Australian, New Zealand, British and American texts are available in library and the latest edition should always be consulted. Conference papers such as those run by the Pacific Rim Real Estate Society (PRRES), Royal Institution of Chartered Surveyors (RICS), International Association for the Study of Common Property (IASCP), American Real Estate and Urban Economics Association (AREUEA) etc. can be very helpful, relevant and topical. Their problem is some of them disappear shortly after the conference ends which can mean you may have difficulty tracing the papers as time goes by.

There are a number of professional and academic journals which are held by the library or may be accessed through the on-line catalogue. Professional journals provide up-to-date commentary on issues of concern to practitioners, information on legislative changes and useful website addresses. Many also have academic and/or refereed articles. Academic refereed journals comprise double blind refereed articles and, often, useful book reviews.

The other very useful source is the newspapers, especially the property sections and the finance pages. *The Financial Review* is always helpful but Thursday is especially good for property; *The Australian* has a commercial property section on a Friday; and *The Age* (Melbourne) covers property in its Wednesday and Saturday editions. If you have on-line access to the newspapers that is also a very good way of collecting and reviewing market data.

The professional and industry bodies (e.g. API, RICS, UDIA, PCA, PIA) present seminars on current topics and specific continuing professional development issues. The professional bodies, in particular, encourage student attendance at very reasonable or nominal cost. Such sessions are an excellent form of networking as well as providing a topical market context for your property studies. So, a bit of effort here may give you the edge to get a job ahead of your peers.

Referencing style

Please note: I expect all students to **use the author/date (Harvard) referencing style** for property assignments assessed in this subject. This style incorporates text references but does not use footnotes or numbered references. If you are not familiar with this style - or are just rusty - it is illustrated above in the reference list but a full coverage can be found in the *Australian Style Manual* (John Wiley & Co.). NB: Text references to Urls should also be presented in this format with full details of the link restricted to the bibliography/list of references at the end of the document. Any problems – see me to discuss.

5. LEARNING ENHANCEMENT ACTIVITIES & ASSESSMENT

Resources

There are no unusual costs associated with this unit but a financial calculator (Sharp EL 735 for example) is required and each group of students may find it helpful to have the use of a digital camera for the two major assignments (valuation reports and associated field notes).

Developmental Activities

In this subject, you will enhance your learning experience by participating in **two compulsory field trips** which form the core of the summative (graded) assessment. You will be provided with extensive individual feedback for each assignment to assist your subsequent study. Formative (ungraded) assessment will be supported by tutorials in the second part of the semester. Students are welcome to contact the lecturer by phone or email to arrange individual (or group) meetings to discuss any aspect of the program or to drop in on a first-come first-served basis at the times shown on my office door.

The **continuous assessment** in this subject will comprise two practice-based assignments which will be valuation reports of property inspected during the field trips, and a final exam. See details below.

6. NOTES ABOUT ASSESSMENT

Please note that members of this Faculty actively enforce all Bond University academic policies. For a detailed description of these policies, see:

<http://www.bond.edu.au/handbook/regs2005-part2-Academic.pdf>

7. CLASS PROCEDURES

- ✓ **Lectures:** There will be 12 x 3 hour lectures in this subject. For most sessions, students will be provided with a copy of Power Point presentations at the lectures and the same material will be available on *i-learn* to supplement the course notes which will also be on *i-learn*. There are two compulsory field trips as detailed below.
- ✓ **Attendance requirements:** Students are required to attend not less than 75% of weekly class sessions; an attendance register will be maintained; **attendance at both field trips is compulsory** and non-attendance may result in failure of the subject due to their focal role in the summative assessment
- ✓ **Tutorials:** There will be tutorial sessions scheduled to support the fieldwork component after Week 6 More details will be provided then.
- ✓ **Course Notes:** Subject notes are available on-line. Supplementary materials will be issued at lectures, on-line and tutorials. I normally send an email to advise you when new materials are added but it is your responsibility to keep up to speed with the *i-learn* site.

Summative Assessment

Item	Theme	Due date
Assignment 1 – 20% - group valuation report	Commercial investment property	Week 7
Assignment 2 – 30% - group valuation report & oral presentation	Retail investment property	Week 12
Examination – 50%	Subject syllabus	Exam week

NB: A passing grade (50%) in the continuous assessment is required to be eligible to sit the exam. A passing grade in the exam (50%) is required to pass the subject.

Detailed assignment briefs and marking criteria sheets will be distributed closer to the time but will require all students to attend two off-campus property inspections (**Compulsory field trips**) on the **Friday morning** of Week 5 and Week 10 and produce a group valuation report. As it is extremely difficult to organise the inspection of tenanted property, which is necessary to provide you with an operational focus to your studies, the property inspections have to be held on Friday mornings. If you have a potential timetable clash, please ensure you advise your other lecturer – ASAP. Any other commitments (including employment) must similarly be rescheduled so if your employer will not give you the time off, book you day's leave now.

8. CLASS REPRESENTATIVE

At a point during weeks 1 or 2, students in the class will be asked to choose a class representative. The role of a class representative is to serve as a communication channel between students enrolled in a subject and the subject's academic staff member. Ideally, all students will communicate with academic directly; however, given the multicultural student body at Bond, there may be students who require non-direct communication channels. The class representative position is a leadership position requiring high levels of interpersonal communication skill.

9. TEACHING PHILOSOPHY

The lectures will work through the subject content in a systematic way using theoretical frameworks and empirical data. Extensive use will be made of market data in lectures and tutorials with a view to developing your ability to identify, research, analyse, determine, communicate and defend reliable opinions of value of specific interests in property. Attendance, attention and an active participation in class will enhance your learning outcomes.

10. CONTENT

Subject synopsis

This subject develops further the basic property valuation principles introduced in SSUD 11-200 and 71-200 Principles of Property Valuation. The emphasis now moves to the valuation of income producing property assets which are more commonly termed 'investment properties'. Topics covered include the mathematics of freehold and leasehold property valuation using the time value of money formula as exhibited in the capitalisation of net income and discounted cash flow approaches.

More specifically, topics include:

Valuation formula; time value concepts; investment approach, basic capitalisation and cash flow techniques. Assumptions. Simple DCF function incorporated within an explanation of time value of money and capitalisation methodologies. Practical applications of the investment approach to a range of real property interests including commercial office and retail investment property. Terminating and terminable interests.

Consequentially, the Weekly Lecture Program shown below has been generated

SSUD 12-230 SUBJECT SCHEDULE –
WEEKLY LECTURE PROGRAM

Week	Content	Assessment Date and Value
1	Introduction to subject. Review of features of the property market and valuation methods notably direct capitalisation.	
2 and 3	Structure and application of valuation formula: for capital sums – Amount of \$1, Present Value of \$1; for income flows – Amount of \$1 p.a., Annual sinking fund, Present Value of \$1 p.a. Self directed/formative learning: worksheet calculations.	
4,5 and 6	Valuation of varying incomes: deferment, discounting, rent reviews, FRV, analysis of market data, yields Tutorial: worksheets, calculations; review of report writing.	
5	Commercial property inspection on Friday morning. Attendance is compulsory. Group assignment.	
7,8 and 9	Discounted cash flow analysis. Relationship between valuation and investment analysis.	Week 7: commercial property assignment report due (20%)
9	Retail property inspection on the Friday morning. Attendance compulsory.	
10 & 11	The valuation of terminating and terminable interests	
12	Presentation of group assignments (10%) including rural property market review; group valuation report (15%), individual summary (5%). Submission of group valuation report.	Group presentations. Attendance compulsory.

The lectures will be interactive and students will be encouraged to take a multi-disciplinary approach - integrating learning from related subjects - to the assignments, tutorials and workshops.

11. ACADEMIC DISHONESTY:

Cheating and plagiarism will not be tolerated. These acts are morally wrong and unfair to other students. If anyone is caught cheating on exams, copying from another student's written work from either this or a previous semester, or copying from a book without proper referencing, I will pursue all actions allowed by the Faculty of Business and university policies. Even if an assignment is only worth a small percentage of your grade, cheating or plagiarism can result in a failure for the subject or, in special cases, an annulled grade or expulsion from the university.

I am aware of a number of cases at Bond where students have been failed for the subject, received an annulled grade, been suspended, or been expelled. These cases have been painful and embarrassing for the individuals involved and for their families. Please do not put yourself in this position.

Faculty of Business, Technology & Sustainable Development

Student Code of Conduct

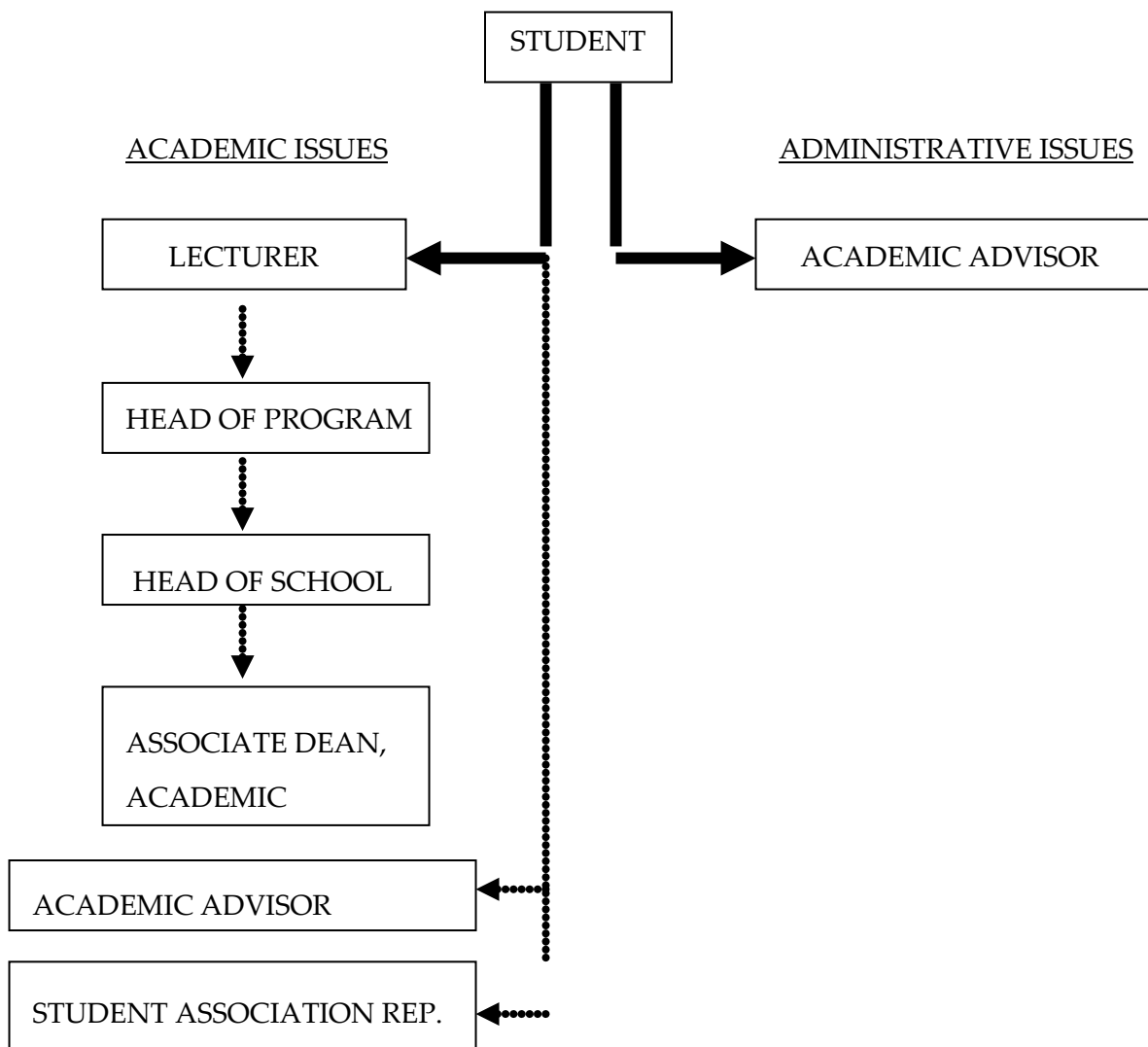
The objective of the teaching and administrative staff of the Bond University School of Business is to offer students a superior business education. To achieve this objective, we expect students, faculty and staff to adhere to a highly professional code of conduct.

For specific information about the Student Conduct Code, please refer to the University's 2005 Handbook of Regulations (<http://www.bond.edu.au/handbook/regs2005-part3-Discipline.pdf>), page 14. In this Code, please note section 2a which defines the following as misconduct (paraphrased):

*“Disrupting or obstructing an official University activity...
including classroom related activities or teaching.”*

Students who are found to have either disrupted teaching activities or demonstrated any of the other types of misconduct will be reported to the Faculty and larger University. A permanent record of the misconduct will be placed in the student's Faculty of Business personal file.

Recommended Behaviour for Dispute Resolution



PLAGIARISM IN THE FACULTY OF BUSINESS, TECHNOLOGY & SUSTAINABLE DEVELOPMENT

It is important that you, as a student, know exactly what is and what is not plagiarism. The penalties for plagiarism are severe, yet many students resort to it. This leaflet aims to help students avoid falling into the trap!

What is plagiarism?

Plagiarism is defined by the Macquarie Dictionary as "the appropriation or imitation of another's ideas and manner of expressing them ... to be passed off as one's own". At universities in Australia, plagiarism is regarded as cheating and is treated with disciplinary action.

Plagiarism includes:

- quoting, paraphrasing, copying, or in any way using ideas from a published or unpublished source without proper acknowledgement or referencing;
- copying the work of another student;
- directly copying any part of another person's work without appropriate acknowledgement;
- receiving help from another person to the point that the work is not your own;
- submitting the same or slightly adjusted assignment in two subjects;
- using experimental results obtained by another person without proper acknowledgment;
- duplicating any work in magnetic form, such as a computer readable spreadsheet;
- submitting work developed jointly with another person without acknowledging this fact;
- using or developing an idea or thesis derived from another person's work without appropriate acknowledgement.

Penalties

The Faculty considers that cheating is a very serious matter. Students found to have cheated must expect to receive the full penalty.

The penalties for plagiarism can be very severe. The penalty range includes:

- failure in the piece of assessment;
- failure in the subject with a mark of zero
- failure with an annulled grade (this shows on your transcript forever that you have been found guilty of cheating);
- suspension from the University;
- permanent expulsion from the University.

The latter three penalties require confirmation by the Academic Senate.

If you are in doubt, seek clarification from your lecturer, the Library or the Faculty's handout on plagiarism available from reception, or the BSA.