

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

RESIT/SPECIAL EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF

BCOM 338: REAL ESTATE FINANCE

STREAMS:

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 03/02/2021

11.30 A.M – 1.30 P.M

INSTRUCTIONS:

Answer Question One and any other Two

Question One

a) Describe the different types of taxes that are charged to real estate property. (10 marks)

b) Describe the various characteristics of real estate that makes it to be an investable class.

(10

marks)

c) Explain the following types of instruments

Mortgage backed bonds

Collateralised Mortgage Obligation

Mortgage Pass through Securities

Mortgage pay through bonds

(10 marks)

Question Two

a) Describe the different types of real estate supply and demand variables indicators

(10

marks)

b) An investor is considering investing in a property has Gross Potential Income of 200000. The vacancy losses is 15% of Gross Potential Income and is expected to have expenses of mortgage interest 10000, depreciation of sh 12000 and utilities of 6000 and repairs of 15000. The following market information exists for other similar properties.

Property	Sales Price	Net Operating Income
1	400000	30000
2	360000	25000
3	150000	35000
4	210000	50000
5	500000	80000

Calculate the value of property using income approach

(10 marks)

Question Three

a) A property has a projected year 1 NOI of sh 4M , the NOI is expected to grow by 6% per year for the following 2 years, then 5% per year for the subsequent 3 years and a constant rate of 5% afterward. Given a required rate of return of 14%.

Determine:

- i. The terminal cap rate
- ii. How much would the property sell for at the end of the 6th year
- iii. What is the present value of the property
- iv. What is the current cap rate (10 marks)

b) Describe the different types of mortgages offered by financial institutions and can be used for investing in real estate (10 marks)

Question Four

- a) Suppose a mortgage for sh 150000 is obtained for 18 years. The mortgage is a level payment fixed rate fully amortised mortgage. The mortgage rate is 8.5% per annum. Calculate the amortization schedule for the first 6 months (6 marks)
- b) Describe any 3 types of real estate market systems (6 marks)
- c) Using an illustration, clearly explain how the real estate market is cyclical in nature (8 marks)
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