

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
COMMERCE AND BACHELOR OF COOPERATIVE MANAGEMENT**

BCOM 338: REAL ESTATE FINANCE

STREAMS: BCOM & BCOP Y3S2

TIME: 2 HOURS

DAY/DATE: MONDAY 01/11/2021

11.30 A.M. – 1.30 P.M.

Question One

a) Discuss the various ways of investing in real estate that would lead to maximised returns
(10 marks)

b) A property has a projected year 1, NOI of sh 200,000, the NOI is expected to grow by 6% for the next 2 years and grow by 5% for the subsequent 1 year and a constant rate of 8% afterward. Given a required rate of return of 15%.

How much would the property sell for today (4 marks)

How much would the property sell for at the end of the 5th year (6 marks)

c) Explain the various types of taxes paid by land owners and property owners in real estate
(10 marks)

Question Two

a) Discuss the different types of mortgage backed securities found in the secondary mortgage market (8 marks)

b) Clearly explain the unique characteristics of real estate that makes it a suitable form of investment (12 marks)

Question Three

a) Discuss the different types of mortgages used to finance the purchase and development of real estate (8 marks)

b) Discuss the various rules and regulations governing the use and purchase of real estate (10 marks)

Question Four

- d) Discuss why it is important to consider the underlying tenant quality when renting out your real property (4 marks)
 - b) Using a diagram explain how the real estate market is cyclical in nature (12 marks)
 - c) Highlight the advantages of using debt in the purchase or development of real estate (4 marks)
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