

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EMBU CAMPUS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 338: REAL ESTATE FINANCE

STREAMS: BCOM Y3S2

TIME:2 HOURS

DAY/DATE: TUESDAY 17/12/2024

8.30 A.M. –10.30 A.M.

INSTRUCTIONS:

- ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS.

QUESTION ONE

- Describe real estate finance [2 marks]
- Describe the different types of taxes that are charged to real estate properties [10 marks]
- Give five characteristics of real estate as an investable class [10 marks]
- An investor is considering the purchase of an office building and has part of his analysis to calculate Net Operating Income.

The information on the building is as follows:

Gross potential rental income	2,500,000
Estimated vacancy and collection loss rate	5%
Insurance	100,000
Taxes	80,000
Utilities and maintenance	220,000
Depreciation	50,000

Required;

Calculate the net operating income [5 marks]

- e) Differentiate the real estate investment trusts and the real estate limited partnership [3 marks]

QUESTION TWO

- a) Describe two different types of rent [4 marks]
- b) Describe the real estate supply and demand variables indicators [8 marks]
- c) Describe the reasons for establishment of a secondary mortgage market. [2 marks]
- d) Find the value of a property whose NOI is sh. 26,000 and has the following market information for other similar properties.

	Sales Price	NOI	Cap rate
1	670000	70000	10.45
2	730000	75000	10.27
3	625000	65000	10.4
4	705000	77000	10.92
5	780000	80000	10.25

Calculate value of the property [6 marks]

QUESTION THREE

- a) Explain the determinants of value and risk affecting shopping centers as a form of real property [4 marks]
- b) Mortgage are governed by either lien theory or title theory, explain [4 marks]
- c) Consider a 20 year, 500,000 level payment fully amortized with a fixed rate of 12%
Calculate the monthly payment and prepare an amortization schedule for the first 10 months. [8 marks]
- d) Describe the advantages of using debt in financing of real estate. [4 marks]

QUESTION FOUR

- a) Describe different types of mortgages that can be used for investing in real estate. [8 marks]
- b) Explain the benefits of investing in real estate investment trusts. [10 marks]
- c) Discuss the characteristics of mortgage backed securities. [2 marks]

