

TECHNICAL UNIVERSITY OF MOMBASA
SCHOOL OF BUSINESS STUDIES
BACHELOR OF BUSINESS ADMINISTRATION, BACHELOR OF COMMERCIAL
(Y4, S1/S2)
BFI 4401: REAL ESTATE FINANCE
END OF SEMESTER EXAMINATIONS
SERIES: MAY 2016
TIME: 2 HOURS

INSTRUCTIONS:

- This paper consists of section A and B
- Section A is Compulsory. Answer any Two questions in section B
- Mobile phones are not allowed into the examination room
- Cheating leads to disqualification
- This paper consists of Two printed pages

SECTION A (Compulsory) 30 Marks

Q1 a, Briefly discuss Five factors that influence the value in real estate. (10marks)

b) Explain the following types of risks that may affect investment in real estate. (10marks)

i) Liquidity

ii) Financial

iii) Management

iv) Interest rate

v) Environmental

c) An investor makes an investment in real estate that will return 4,000,000 at the end of three years assuming the investor deserves an annual return of 15% interest on the amount invested.

Required:

Compute the amount the investor is supposed to pay today for the real estate investment. (4marks)

d) ABC properties ltd. is a real estate investment company that has an opportunity to invest in a rental property that will provide net cash returns of ksh.600, 000 per year for three years. The company believes that an annual return of 10% should be earned on this investment.

Required:

How much should the investor pay for the rental property? (6marks)

SECTION B

Answer any TWO Questions

Q2.a) State and explain any three most common ownership interests.(6marks)

b) Highlight the advantages of real estate rating to the following. (6marks)

i) Investors

ii) Sellers

iii) Lenders

c) Highlight any four provisions of a mortgage instrument. (8marks)

Q3. Examine the key areas a due diligence should cover when considering the acquisition of a property. (20marks)

Q4.a) Briefly explain any five investment styles used in real estate. (10marks)

b) Evaluate the role of building societies in Kenya. (10marks)

Q5.a) Discuss the factors that determine demand and supply of housing in an economy. (12marks)

b) Examine the unique characteristics of real of a real estate market. (8marks)