



# TECHNICAL UNIVERSITY OF MOMBASA

---

SCHOOL OF BUSINESS

UNIVERSITY EXAMINATION FOR :

BACHELOR OF BUSINESS ADMINISTRATION/BACHELOR OF COMMERCE

***BFI 4401: REAL ESTATE FINANCE***

END OF SEMESTER EXAMINATION

SERIES: JULY 2025

TIME: 2 HOURS

DATE:

Instructions to Candidates

You should have the following for this examination

*-Answer Booklet, examination pass and student ID*

This paper consists of FIVE questions. **Attempt Question ONE** and any other **TWO** questions  
Do not write on the question paper.

**QUESTION ONE(Compulsory) ( 30 MARKS)**

a) Briefly explain the following terms as used in real estate finance.

- i) Freehold estate (2marks)
- ii) Leasehold estate (2marks)
- iii) Remainder (2marks)
- iv) Reversion (2marks)
- v) Easement (2marks)

b) An investor purchased a house by taking out a 30 -year annual payment mortgage with an interest rate of 6% per year. The annual payment on the mortgage is Ksh. 120, 000. You have just made a payment and have now decided to pay the mortgage off by repaying the outstanding balance.

Required:

What is the payoff amount if:

- i. You have lived in the house for 12 years. (4 marks)
  - ii. You have lived in the house for 20 years. (4 marks)
  - iii. You have lived in the house for 12 years and you decide to pay off the mortgage immediately before the payment is due? (4marks)
- c) Briefly discuss Five factors that influence the value in real estate. (8mark)

### **QUESTION TWO (20 MARKS)**

- a) Briefly explain any five principles of real estate valuation. (10marks)
- b) Highlight the reasons for real estate property appraisals. (10marks)

### **QUESTION THREE (20 MARKS)**

- a) Describe any five provisions provided for in a mortgage instrument. (10mark)
- b) Discuss the key characteristics of real estate market. (10marks)

### **QUESTION FOUR (20 MARKS)**

- a. An investor borrowed Ksh. 2000,000 on 1<sup>st</sup>.January 2016. The rate of interest was fixed at 12% per annum. The loan is to be repaid semiannually over a period of four years.  
Required; Prepare a loan amortization schedule over the four-year period. (15marks)
- b) Briefly explain the concept of 'ownership of real property' (5marks)

### **QUESTION FIVE (20 MARKS)**

- a) Describe the types of risks associated with mortgage loans. (10marks)
- b) 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)

-END-