

Exam information	
Course code and title	FINM3406 Real Estate Finance
Semester	Semester 1, 2023
Exam type	Online, non-invigilated, end-of-semester examination
Exam technology	Blackboard Test
Exam date and time	<p>Refer to your personal exam timetable for the scheduled date and time of this exam. Your examination will begin at the time specified in your personal examination timetable. If commence your examination after this time, the end for your examination does not change. For example, if your examination is schedule for 10am with an end time of 11:40am, even if you commence at 10:30am your end time is still 11:40am.</p> <p>The total time for your examination from the scheduled starting time will be: 1 hours 40 minutes including 10 minutes planning time..</p> <p>A 15-minute submission period is available for submitting your examination. If your examination is submitted after this period late penalties will be applied unless you can demonstrate that there were problems with the system and/or process that were beyond your control.</p>
Exam window	<p>You must commence your exam at the time listed in your personalised timetable.</p> <p>You have from the start date/time to the end date/time listed in which you must complete your exam.</p>
Permitted materials	This is an open book exam – all course materials are permitted.
Recommended materials	<p>Ensure the following materials are available during the exam:</p> <p>Calculator; bilingual dictionary; phone/camera/scanner</p>
Instructions	<p>You need to answer all of the questions in the Blackboard Test.</p> <p>You must do all your working in the Blackboard test</p> <p>If you believe there is missing or incorrect information impacting your ability to answer any particular question, please state this when answering that question.</p>
Who to contact	<p>Given the nature of this examination, responding to student queries and/or relaying corrections to exam content during the exam may not be feasible.</p> <p>At the end of the exam there will be a free text box field. Please use this to specify any assumptions you have made in completing the exam and which questions those assumptions relate to. You may also include queries you may have made with respect to a particular question, should you have been able to 'raise your hand' in an examination room. If you experience any interruptions to your examination, please collect evidence of the interruption (e.g. photographs, screenshots or emails).</p> <p>If you experience any issues during the examination, contact the Library AskUs service for advice as soon as practicable:</p> <p>Chat: support.my.uq.edu.au/app/chat/chat_launch_lib</p> <p>Phone: +61 7 3335 7047</p> <p>Email: examsupport@library.uq.edu.au</p> <p>You should also ask for an email documenting the advice provided so you can provide this to the course coordinator immediately at: p.walker@business.uq.edu.au</p>
Important exam condition information	<p>You are responsible for managing your multi-factor authentication in this examination.</p> <p>Please check the guidance on How do I MFA before an online exam?</p> <p>Academic integrity is a core value of the UQ community and as such the highest standards of academic integrity apply to all examinations, whether undertaken in-person or online. This means:</p> <ul style="list-style-type: none"> You are permitted to refer only to the allowed resources for this exam, and you must not use any instances of work that has been submitted previously elsewhere. You are not permitted to consult any other person – whether directly, online, or through any other means – about any aspect of this examination during the period that it is available. If it is found that you have given or sought outside assistance with this examination, then that will be deemed to be cheating. <p>If you submit your online exam after the end of your specified planning time, duration, and 15 minutes submission time, the following penalties will be applied to the total mark available for the assessment:</p> <ul style="list-style-type: none"> Less than 5 minutes – 5% penalty

- From 5 minutes to less than 15 minutes – 20% penalty
- More than 15 minutes – 100% penalty

These penalties will be applied to all online exams unless there is sufficient evidence of problems with the system and/or process that were beyond your control.

Undertaking this online exam deems your commitment to UQ's academic integrity pledge as summarised in the following declaration:

"I certify that I have completed this examination in an honest, fair and trustworthy manner, that my submitted answers are entirely my own work, and that I have neither given nor received any unauthorised assistance on this examination".

Test Information

Description	Undertaking this online examination deems your commitment to UQ's academic integrity pledge as summarised in the following declaration: <i>"I certify that I have completed this examination in an honest, fair and trustworthy manner, that my submitted answers are entirely my own work, and that I have neither given nor received any unauthorised assistance on this examination".</i>
Instructions	You need to answer all of the questions in the Blackboard Test. You must do all your working in the Blackboard test
Multiple Attempts	Not allowed. This Test can only be taken once.
Force Completion	This Test can be saved and resumed later. Your answers are saved automatically.

QUESTION 1

1 points

Save Answer

What is the annual Net Operating Income for an investment property if its capital value is \$3,200,000 and it was valued with at an 8% yield?

- ☐ \$256,000
- ☐ \$310,000
- ☐ \$250,000
- ☐ \$225,000

QUESTION 2

1 points

Save Answer

When you buy a piece of real estate in Queensland that comprises a parcel of land and buildings, what is it you are actually buying?

- ☐ The land and all airspace above and all subterranean space below the land plus all improvements attaching to the land.
- ☐ The land and as much of airspace above and subterranean space below the land that you need to reasonably enjoy your use of the land plus all improvements attaching to the land and all fittings, plant and equipment located on the land.

☐ The land and all airspace above and all subterranean space below the

land plus all improvements attaching to the land and all fittings, plant and equipment located on the land.

☐

The land and as much of airspace above and subterranean space below the land that you need to reasonably enjoy your use of the land plus all improvements attaching to the land.

QUESTION 3

1 points

Save Answer

True or False - It is an inherent characteristic of all real estate assets that they must be tangible (ie physical).

☐ True

☐ False

QUESTION 4

1 points

Save Answer

What is the primary purpose of Corporate Real Estate?

☐ To provide affordable housing for staff.

☐ To support a corporation's own operations.

☐ To generate income.

☐ To increase property values.

QUESTION 5

1 points

Save Answer

Land values are increasing at an annual compound rate of 12% per year (annum). A parcel of land has a current value of \$500,000. What will the land be worth in five years?

☐ \$3,176,423.68

☐ \$897,928.16

☐ \$7,958,563.26

☐ \$881,170.84

QUESTION 6

1 points

Save Answer

Why is the cash flow in the year after the end of the holding period important in a real estate DCF?

☐

It affects the overall terminal value and current estimated value of the property.

☐ It has no impact on the estimated value of the property.

☐ It determines the price of the property when it is first acquired.

It determines the length of the holding period.

QUESTION 7**1 points**[Save Answer](#)

What are some major contributing factors that can influence the duration and intensity of phases in a real estate market cycle?

☐ Property location, property size, property type, and property age.

☐

Marketing and advertising strategies, pricing strategies, and negotiation skills.

☐ Tenant retention rates, lease terms, and tenant satisfaction levels.

☐

Economic growth, demographic changes, interest rates, and government policies.

QUESTION 8**1 points**[Save Answer](#)

What is the primary purpose of Collateralized Debt Obligations (CDOs) in the context of the mortgage market?

☐ To provide insurance coverage for mortgage loans.

☐ To regulate interest rates for mortgage borrowers.

☐

To redistribute the risk associated with mortgage-backed securities.

☐ To facilitate direct lending between borrowers and lenders.

QUESTION 9**1 points**[Save Answer](#)

What role did credit rating agencies play in the build-up to the Global Financial Crisis?

☐

They failed to accurately assess the risks of mortgage-backed securities, leading to mispriced investments.

☐

They accurately predicted the risks associated with mortgage-backed securities.

☐

They downgraded the credit ratings of subprime mortgage bonds, thereby preventing the crisis which was primarily due to poor lending practices by banks.

☐

They provided government guarantees for mortgage-backed securities, ensuring their stability.

QUESTION 10

1 points

Save Answer

How does property strategy relate to a company's overall strategy in the context of capital allocation?

☐

Property strategy is an independent strategy that does not impact the overall capital allocation strategy of the company.

☐

Property strategy primarily focuses on managing real estate assets, while capital allocation strategy deals with broader financial decisions.

☐

Property strategy should be iterative and aligned with the company's overall strategy for capital allocation and supports effective deployment of debt and equity capital.

☐

Property strategy has limited influence on the capital allocation strategy as it is primarily driven by financial considerations.

QUESTION 11

5 points

Save Answer

ESG is increasingly important to institutional property investors. Describe why sustainable development is important in real estate investment and finance. What are the leading measures used in Australia to achieve sustainable development of real estate? Discuss their effectiveness and any constraints to their implementation.

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QUESTION 12

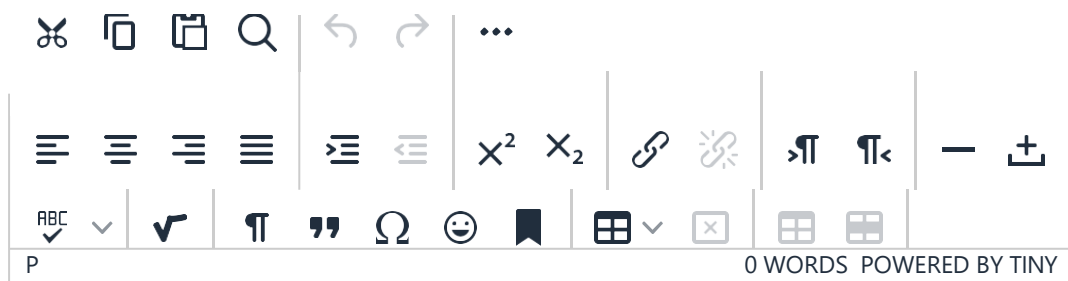
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Save Answer

Outline the five most critical factors that a company should consider when deciding whether to buy or lease property for its own business operational requirements.

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QUESTION 13

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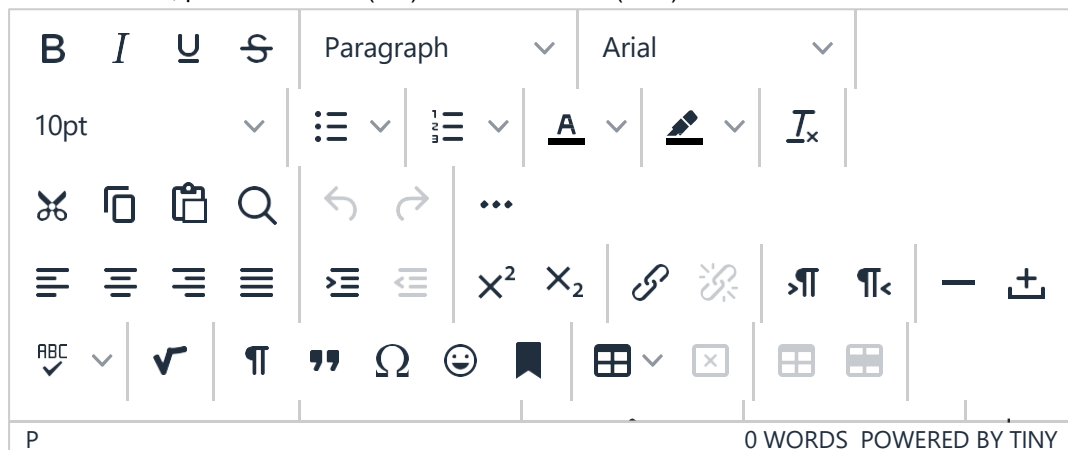
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Use the term and reversion method to calculate the price you should pay for the following property:

- A commercial property subject to a 10 year lease producing a passing income of \$500,000 pa on a net basis.
- The current annual rental income is fixed for 3 years (the next rent review is to market and is in three years time).
- Current open market rental would produce an income of \$600,000 net pa for the property.
- The market capitalisation rate that should be applied to the net cash flow of the property is 6%.

Show all workings.

For the toolbar, press ALT+F10 (PC) or ALT+FN+F10 (Mac).



QUESTION 14

5 points

Save Answer

You are looking at buying a piece of real estate and you intend to borrow as much as you possibly can from a bank to buy the property. The bank you are dealing with has a requirement that the LVR for their mortgages is no more 80% and based upon the value of the property that you wish to buy the bank will lend you \$1,500,000.

The loan that the bank will give you requires you to pay off the principal over a 30 year period. Interest is fixed at 8% per annum for the duration of the loan. The interest is compounded annually and a single annual repayment is required.

The Credit Officer from the bank has given you the option of choosing either a Fully Amortising Mortgage or a Constant Amortising Mortgage.

You intend to sell the property in 10 years time. You expect the annual capital growth of the value of property to be 12%.

Decide which type of amortising loan you will choose and show how much better off financially you will be, based upon this decision, when you sell the property in 10 years time.

Include all of your calculations in your answer

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QUESTION 15

10 points

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It has been said that 'Decisions concerning direct investment in real estate are more complicated and time consuming than other forms of investments'. Discuss this statement and whether you agree or disagree.

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QUESTION 16

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Save Answer

Please use this space if you believe there is missing or incorrect information that impacted your ability to answer any question. Please state which questions this is related to.

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