

Total

• **PART A (MULTIPLE-CHOICE QUESTIONS: 1-5)**

Question 1.

(1 Mark)

\$250,000 will be needed by the Body Corporate in 15 years time to replace the lift in an apartment block. It is expected that a fixed compound rate of 5% can be arranged. How much should the Body Corporate invest each year to ensure that sufficient funds will be available at the required time?

- a) \$11,585.57
- b) \$37,078.88
- c) \$6,176.62
- d) \$15,833.33

Question 2.

(1 Mark)

How does an increase in the perceived risk associated with a property affect the discount rate used in a real estate DCF?

- a) It increases the discount rate
- b) It decreases the discount rate
- c) It has no effect on the discount rate
- d) It depends on the specific circumstances of the property

Question 3.

(1 Mark)

What does the capitalisation rate used to calculate terminal value in a DCF represent?

- a) The rate used to convert a single year's income into an estimate of the property's future value
- b) The cost of debt associated with investing in the property at the end of the holding period
- c) The rate of return required by an investor to invest in the property
- d) The rate used to discount future cash flows to their present value

Question 4.

(1 Mark)

What is the primary purpose of Corporate Real Estate?

- a) To support a corporation's own operations.
- b) To generate income.
- c) To increase property values.
- d) To provide affordable housing for staff.

Question 5.

(1 Mark)

What is the present value of an annual annuity of \$20,000 for 20 years, assuming an interest rate of 10% per annum? \$881,170.84

- a) \$170217.27

- b) \$200,000
- c) \$148,600
- d) \$90,130

PART B (SHORT ANSWERS: 6-8)

Question 6. **(5 Marks)**

Discuss the impact of corporate real estate decisions on the financial performance of a firm.

Question 7. **(5 Marks)**

What is a collateralized debt obligation (CDO), and how does it work?

Question 8. **(5 Marks)**

You can afford to pay \$1,600/month on a 30-year mortgage at an interest rate of 8% p.a., compounding monthly.

- What is the maximum amount you can borrow?
- If you borrow up to 80% of the value of a house, what is the most expensive house you can afford to purchase?
- How much deposit do you need to save?
- What is the most expensive house you can afford to purchase if you can afford \$2,000/month (assuming you still need an 80% LVR)?

END OF EXAMINATION