

9.04 Real Estate and Infrastructure

Question 1

Compared to a brownfield infrastructure investment, a greenfield investment *most likely* has:

- A. higher levels of risk.
- B. lower potential returns.
- C. more current cash flows.

Question 2

Which of the following types of alternative investments *most likely* provides investors the greatest income stability?

- A. Direct investment in farmland
- B. Direct investment in timberland
- C. Equity real estate investment trusts

Question 3

An investor is seeking an alternative investment that offers historically low correlation with global equities, relatively low volatility, and current income. Which of the following *most appropriately* meets these requirements?

- A. Farmland
- B. Managed futures
- C. Publicly listed real estate investment trust

Question 4

In a floating-rate mortgage on a commercial real estate property, the lender's risk compared to the borrower's risk is *best described* as:

- A. spread risk.
- B. interest rate risk.
- C. the loan-to-value ratio.

Question 5

An investor seeking to benefit from the appreciation of commercial real estate would *most appropriately* buy:

- A. equity real estate investment trusts.
- B. mortgage real estate investment trusts.
- C. commercial mortgage-backed securities.

Question 6

An alternative investment that provides diversification benefits and an inflation hedge while also generating consistent income is *best described* as an investment in:

- A. farmland.
- B. managed futures.
- C. a greenfield infrastructure project.

Question 7

Compared with a direct investment in real estate, investing in real estate investment trusts (REITs) *most likely* offers a distinct advantage regarding:

- A. taxes.
- B. degree of control.
- C. stability of income.

Question 8

An infrastructure investor primarily concerned with market liquidity would *most appropriately* invest in:

- A. the expansion of an income-generating toll road.
- B. an exchange-traded fund consisting of utility companies.
- C. a hedge fund investing in various types of infrastructure companies.

Question 9

A portfolio manager is considering adding an infrastructure investment to a pension portfolio to increase the fund's long-term expected return. Which of the following is the *most appropriate* investment to add to the portfolio?

- A. Direct brownfield investment in a power plant
- B. Direct greenfield investment in a toll road project
- C. Publicly listed master limited partnership in existing energy pipeline assets

Question 10

An investor who does not seek current income from an investment in infrastructure should *most appropriately*:

- A. directly invest in a greenfield hospital project.
- B. own shares in an unlisted mutual fund that invests in existing toll roads.
- C. invest in an exchange-traded fund that consists of brownfield public utilities.

Question 11

An analyst is using a real estate valuation index to estimate the value of an investment property and wishes to avoid sample selection bias. The analyst's *least appropriate* choice is to use a(n):

- A. REIT index.
- B. appraisal index.
- C. repeat sales index.

Question 12

The type of infrastructure investment *most likely* to have the highest concentration risk is a(n):

- A. direct investment in a greenfield project.
- B. unlisted mutual fund that invests in multiple global brownfield projects.
- C. exchange-traded fund (ETF) made up of publicly traded infrastructure companies.

Question 13

A private equity real estate fund that primarily redevelops and repurposes shopping malls in secondary and tertiary markets is *most likely* structured as a(n):

- A. core-plus strategy fund.
- B. finite-life closed-end fund.
- C. infinite-life open-end fund.

Question 14

Which of the following is *most likely* a limitation of using appraisal indexes to measure returns to real estate?

- A. Infrequent trading
- B. Understated volatility
- C. Sample selection bias