



Riara School of Business
Nurturing business innovators
SEPTEMBER-DECEMBER, 2023 TRIMESTER
EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION

EVENING PROGRAMME

RFN 405: REAL ESTATE FINANCE AND INVESTMENT

DATE: DECEMBER, 2023

TIME: 2 HOURS

GENERAL INSTRUCTIONS:

Students are NOT permitted to write on the examination paper during reading time.

This is a closed book examination. Text book/Reference books/notes are not permitted.

SPECIAL INSTRUCTIONS:

1. Write your REGISTRATION NO. Clearly on the answer booklet(s).
2. Answer Question One and ANY other TWO questions.
3. Questions in all sections should be answered in answer booklet(s).
4. Marks allocated to each question are shown at the end of the question.
5. PLEASE start the answer to EACH question on a NEW PAGE.
- 6 For the questions, write the number of the question on the answer booklet(s) in the order you answered them.
7. Write your answers in paragraph form unless stated otherwise.
8. Keep your phone(s) SWITCHED OFF at the front of the examination room.
- 9 Keep ALL bags and caps at the front of the examination room and do not refer to any unauthorized material before or during the course of the examination.
10. You are only allowed to leave the examination room 30 minutes to the end of the Examination.

QUESTION ONE (Compulsory)

- a) Define Housing Bubbles (2 Marks)
- b) Outline **four** types of Loan Amortization Patterns (8 Marks)
- c) Discuss the **three** general methods of title assurance (6 Marks)
- d) Explain the difference between a buyer assuming the mortgage and a buyer taking title “subject to” the mortgage. (4 Marks)
- e) Assess **five** benefits derived from investing in real estate investment trusts REITs (10 Marks)

QUESTION 2

- a) Discuss **three** factors that make renting a home a more favourable option to owning one (6 Marks)
- b) Outline **four** Factors influencing demand for Housing and House Prices (8 Marks)
- c) Explain the following terms as used in real estate properties (6 Marks)
- i. Interests
 - ii. Encumbrances
 - iii. Easements

QUESTION 3

- a) Distinguish between the following (8 Marks)
- i. fixed rate mortgages and floating rate mortgages

- ii. Development real estate investment trusts (REITs) and Income REITs
 - iii. Free hold estate and lease hold estate
 - iv. Promissory note and a mortgage
- b) Explain **four** objectives to an equity investor who invests in real estate **(8 Marks)**
- c) Compute the expected appreciation in house prices if the house price in year zero is Sh. 100,000 and the expected price at the end of year one is Sh. 105,000. **(4 Marks)**

QUESTION 4

- a) Describe **five** financing costs that are paid by the buyer/borrower of a mortgage loan **(10 Marks)**
- b) Contrary to popular belief, the vast majority of real estate used by business firms is leased and not owned. Discuss five reasons which make leasing a preferred option **(10 Marks)**