



The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER-2019

EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

UNIT CODE: HBF 2405

UNIT TITLE: REAL ESTATE FINANCE

DATE: NOVEMBER, 2019

TIME:

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- (a) Explain the various alternatives that investors can consider in workouts (6 marks)
- (b) Discuss the any **FIVE** ways of real estate financing in real Estates markets (10 marks)
- (c) Identify the Determinants of mortgage interest rates when pricing and structuring mortgage loans (8 marks)
- (d) Using relevant examples discuss the classification of real estates in Kenya (6 marks)

QUESTION TWO

- a) A fully amortizing mortgage loan is made for sh. 100,000 at 6% interest for 30 years. Determine payments for the following periods if interest is accrued (8 marks)
 - i. Monthly
 - ii. Quarterly
- b) A pension fund is making an investment of sh. 10,000 today and expects to receive sh. 1,600 at the end of each month for the next five years. At the end of the fifth year, the capital investment of sh. 100,000 will be returned. What is the internal rate of return compounded annually on this investment? (6 marks)
- c) With reference to the Kenyan Real Estate Market explain **THREE** real estate modifiers within Nairobi County

QUESTION THREE

- (a) In every mortgage loan, there are several clauses that state the rights of the mortgagor and the mortgagee during the term of the mortgage loan agreement. Discuss (10 marks)
- (b) Discuss the Motivations for investing in income properties, why do we invest in properties? (4 marks)
- (c) Discuss the determinants demand for housing units in Kariakor Nairobi Kenya (6 marks)

QUESTION FOUR

- (a) Some jurisdictions allow debtors to redeem (regain possession of) their property, there are two types of redemption, briefly explain (4marks)
- (b) The task of managing properties in distress often falls to a lender who has foreclosed on a property for default. In such a case, the lost loan amounts a sunk cost-it is

irrecoverable and should not affect the owner's decision, briefly discuss the two types of distressed property. (6marks)

- (c) There has been a tremendous growth of property market in Kenya. Briefly discuss factors influencing real estate markets in Kenya (10marks)

QUESTION FIVE

- a) With the help of diagram explain the adjustment of housing units with respect to either an increase or decrease of the below factors (10 marks)
- i) Depreciation
 - ii) Increase in demand
 - iii) Construction Costs
- b) Discuss the organizations that are legally mandated to offer mortgage loans to customers in Kenya (10 marks)