



The Co-operative University College of Kenya
(A Constituent College of Jomo Kenyatta University of Agriculture & Technology)

END OF SEMESTER EXAMINATION APRIL-2016

EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE (YR I SEM

II

UNIT CODE: HBC 2405

UNIT TITLE: REAL ESTATE

DATE: 29TH APRIL, 2016

TIME: 9.00 A.M. – 11. 00 A.M.

INSTRUCTIONS:

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

QUESTION ONE

- Explain the main advantages gained from investing in real estate properties. (6 marks)
- Explain the **FOUR** types of land transaction costs payable while sourcing for real estate in Kenya. (8 marks)
- Explain any **THREE** methods of determining real estate value. (6 marks)
- Calculate the value of a building with a gross area of 100m² for insurance purposes. Similar buildings cost an average of shs.4000 per square meter, the building is 5 years old. Site works are valued at 25% of gross area of building. Depreciation over the period is at 1 2/3% and professional fees are 15% of building and site value net depreciation. (10 marks)

QUESTION TWO

- Discuss any **FIVE** alternatives of mortgage defaults. (6 marks)
- Explain the main determinants of the demand for housing. (6 marks)
- Explain the factors that hinder lower and middle earners from accessing credit and mortgage in Kenya. (8 marks)

QUESTION THREE

- Explain the assumptions underlying to capital asset pricing model as used in real estate financing. (8 marks)
- Discuss the various types of real estate properties. (12 marks)

QUESTION FOUR

- Building societies just like banks and other financial institution are averse to risk. Discuss the factors that they are likely to select in assessing the credit worthiness of a potential member (8 marks)
- Describe the arbitrage pricing theory as it affects investment decisions. (8 marks)
- Highlight any **FOUR** taxes affecting real estate. (4 marks)

QUESTION FIVE

- (a) Investment theory encompasses the body of knowledge used to support the decision. Making process of choosing investments. Explain any FOUR theories which affect pricing in real estate finance. (10 marks)
- (b) discuss any FIVE institutional lenders and investors who supply funds to real estate developers and finance and purchase real estate projects. (10 marks)