



**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2020/2021 ACADEMIC YEAR**

**FOURTH YEAR FIRST SEMESTER**

**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: BCF 446E**

**COURSE TITLE: REAL ESTATE FINANCE**

**DATE:** 6<sup>th</sup> August 2021

**TIME:** 2.00PM - 4.00PM

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**INSTRUCTIONS TO CANDIDATES**

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over.

### QUESTION ONE (30 MARKS)

- A. Real Estate Market environment brings together individuals and firms in one basket to carry out business activities as one family that subscribes to the same tenets of faith. Explain who and what these firms and individuals are and describe the various functions each party plays in enhancing the development of this market. (10 marks)
- B. At both local and International scene, real estate is and will forever exhibit similar traits also known as essentials that are characteristic of humans. Identify and fully discuss these essentials in the light of what you have covered from Kibabii University School of Business and Economics (10 mks)
- C. A project identified as "X" is expected to cost Ksh.1, 000,000. Its streams of cash inflows from years 1 through five are sh.900,000, sh.800,000,sh.700,000, sh.600,000, and sh. 500,000. The opportunity cost of capital for this project is 10 %. Calculate the present value and net present value of this project ( 10 Marks)

### QUESTION TWO (20 MARKS)

Using at least one practical example and particularly one covered in class explain how NOI can be arrived at and apply a capitalization rate of 10 % to estimate the value of your property (20 Marks).

### QUESTION THREE (20 MARKS)

Write explanatory notes on the following:-

1. Life insurance companies ( 4 Marks)
2. Credit Unions ( 4 Marks)
3. Real estate investment trusts ( 4 Marks)
4. Commercial banks (4 Marks)
5. Mortgage ( 4 Marks)

### QUESTION FOUR (20 Marks)

Define and describe the advantages and disadvantages of securitization of real estate (20 Marks)

### QUESTION FIVE (20 Marks)

- A. Explain the factors that have been at the centre of the development and growth of real estate in Africa and around the globe (14 Marks).
- B. Real estate has three main motivational theories that make it more than thrilling and enticing. Identify and describe these theories (6 Marks).