

**Student Name:** \_\_\_\_\_**Class:** \_\_\_\_\_**Student ID:** \_\_\_\_\_**Date:** \_\_\_\_\_

## Assessment Details

<b>Duration:</b> 2 hours	<b>Total Marks:</b> 100
<b>Topics Covered:</b>	<ul style="list-style-type: none"><li>• Real Estate Investment Trusts (REITs)</li><li>• Cash Flow</li><li>• Return on Investment (ROI)</li><li>• Risk Management</li></ul>

## Instructions to Students:

1. Read all questions carefully before attempting.
2. Show all working out - marks are awarded for method.
3. Calculator use is permitted except where stated otherwise.
4. Write your answers in the spaces provided.
5. If you need more space, use the additional pages at the end.
6. Time management is crucial - allocate approximately 1 minute per mark.

**Question 1**

**[2 marks]**

What is the primary purpose of a real estate investment trust (REIT)?

A) To provide financing for real estate projects

B) To manage rental properties

C) To allow individuals to invest in real estate without directly managing properties

D) To provide insurance for real estate investments

**Question 2**

**[2 marks]**

Which of the following is a type of real estate investment?

A) Stocks

B) Bonds

C) Rental property

D) Mutual funds

**Question 3**

**[2 marks]**

What is the difference between a fixed-rate and adjustable-rate mortgage?

A) Fixed-rate mortgage has a fixed interest rate, while adjustable-rate mortgage has a variable interest rate

B) Fixed-rate mortgage has a variable interest rate, while adjustable-rate mortgage has a fixed interest rate

C) Fixed-rate mortgage is used for commercial properties, while adjustable-rate mortgage is used for residential properties

D) Fixed-rate mortgage is used for short-term investments, while adjustable-rate mortgage is used for long-term investments

**Question 4**

**[8 marks]**

Describe the difference between a real estate investment trust (REIT) and a real estate mutual fund. How do they differ in terms of investment strategy and risk management?

**Question 5**

**[8 marks]**

Explain the concept of cash flow in real estate investing and provide an example. How does cash flow affect the overall return on investment?

**Question 6**

**[8 marks]**

What are the advantages and disadvantages of investing in a rental property? How can an investor mitigate potential risks associated with rental properties?

**Question 7**

**[15 marks]**

A potential investor is considering purchasing a rental property for \$200,000. The property is expected to generate an annual rental income of \$20,000 and has an annual operating expense of \$10,000. The investor expects to sell the property in 5 years for \$250,000. Analyze the investment and provide a recommendation to the investor, including calculations of cash flow, return on investment, and potential risks.

## Glossary

**Real Estate Investment Trust (REIT):** A company that owns or finances real estate properties and provides a way for individuals to invest in real estate without directly managing properties.

**Cash Flow:** The difference between the income generated by a rental property and the expenses associated with owning and maintaining the property.

**Return on Investment (ROI):** The profit or return generated by an investment, expressed as a percentage of the initial investment.

## Additional Resources

For additional support, please refer to the following resources:

- Real Estate Investing 101 textbook
- Online resources, such as real estate investing websites and forums
- Instructor support and feedback