Real Estate Principles 6th edition Ling Test Bank

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Real Estate Principles 6th Edition by Ling CH01

ANSWERS ARE LOCATED IN THE SECOND PART OF THIS DOCUMENT

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

1) When viewed as a tangible asset, real estate can be defined as the land and its permanent improvements. Improvements *on* the land include:

1) _____

A) fences.
B) walkways.
C) sewer systems.
D) streets.

Question Details
Difficulty : Basic
Learning Objective : 01-01 Provide three alternative definitions for the term real estate.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible

2) All of the following are examples of an improvement *on* the land EXCEPT:

2) _____

A) fences.
B) building.
C) walls.
D) streets.

Question Details
Learning Objective : 01-01 Provide three alternative definitions for the term real estate.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate

3) Real estate is defined as land and its permanent improvements. Which of the following is an example of an improvement *to* the land?

3) _____

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A) fence
B) building
C) sewer system
D) personal property

Question Details
Learning Objective : 01-01 Provide three alternative definitions for the term real estate.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate

4) Real estate consists of the physical structures and infrastructure that accompany the land. All of the following are examples of an improvement *to* the land EXCEPT:

4) _____

A) walkways.
B) building.
C) sewer system.
D) streets.

Question Details
Learning Objective : 01-01 Provide three alternative definitions for the term real estate.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate

5) Real estate is property, which can be either a tangible or an intangible asset. Which of the following would be considered an intangible asset?

5) _____

A) land
B) building
C) mortgage
D) fence

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Question Details
Difficulty : Basic
Learning Objective : 01-01 Provide three alternative definitions for the term real estate.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible

6) Which of the following would be considered a tangible asset?

6) _____

A) land
B) lease agreement
C) mortgage
D) listed REIT

Question Details
Difficulty : Basic
Learning Objective : 01-01 Provide three alternative definitions for the term real estate.
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible

7) If we desire to classify land by its use, land that does not include any improvements *to* the land would be categorized as:

7) _____

A) "raw" land.
B) building site.
C) developed land.
D) property infrastructure.

Question Details
Difficulty : Basic
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Learning Objective : 01-02 Discuss the distribution of U.S. land among the various uses to which it i

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8) If we desire to classify land by its use, land that consists of residential, industrial, commercial, and institutional land uses would be classified as:

8) _____

A) rural land.
B) federal land.
C) developed land.
D) undeveloped land.

Question Details
Difficulty : Basic
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Learning Objective : 01-02 Discuss the distribution of U.S. land among the various uses to which it i

9) According to the Department of Agriculture, which of the following land types constitutes the lowest percentage of land use in the United States?

9) _____

A) crop land
B) federal land and water areas
C) forest land
D) developed land

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-02 Discuss the distribution of U.S. land among the various uses to which it i

10) The size of a single family residential lot is typically:

10) _____

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A) less than one acre.
B) between one and two acres.
C) between two and three acres.
D) greater than three acres.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-02 Discuss the distribution of U.S. land among the various uses to which it i

11) As of 2018, the single largest asset category in the net worth portfolios of households is:
11) _____

A) government and corporate bonds.
B) stocks and mutual fund shares.
C) deposit and money market funds.
D) housing.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-04 Describe the role real estate plays in the portfolios of U.S. households.

12) Real estate values derive from the interaction of three different sectors in the economy. Which of the following sectors serves to allocate financial resources among households and firms requiring funds?
12) _____

A) user market
B) capital market
C) government
D) property market

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

13) The demand for real estate derives from the need that market participants (e.g., owner occupants, tenants, renters) have for shelter and convenient access to other locations. This competition for physical location and space occurs in the:

13) _____

A) user market.
B) capital market.
C) government sector.
D) property market.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

14) Based on your understanding of the supply and demand dynamics of user/space markets, an increase in demand for leasable space would, all else equal, cause which of the following effects?

14) _____

A) decrease equilibrium rental rates and decrease property value
B) decrease equilibrium rental rates and increase property value
C) increase equilibrium rental rates and decrease property value
D) increase equilibrium rental rates and increase property value

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

15) Based on your understanding of the supply and demand dynamics of user/space markets, the new construction of units would, all else equal, cause which of the following effects?

15) _____

A) decrease equilibrium rental rates and decrease property value
B) decrease equilibrium rental rates and increase property value
C) increase equilibrium rental rates and decrease property value
D) increase equilibrium rental rates and increase property value

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

16) The expected stream of rental income is capitalized into value by converting expected future cash flows into present value through a process called:

16) _____

A) amortization.
B) discounting.
C) compounding.
D) accounting.

Question Details
Difficulty : Basic
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

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17) Capital markets can be divided into four main categories: private equity, public equity, private debt, and public debt. An example of a real estate asset that trades in the private equity market is:

17) _____

A) real property.
B) home mortgages.
C) equity REITs.
D) mortgage backed securities.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

18) An example of a real estate asset that trades in the public debt market is:

18) _____

A) real property.
B) real estate operating companies.
C) equity REITs.
D) commercial mortgage backed securities (CMBS).

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

19) An example of a real estate asset that trades in the public equity market is:

19) _____

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A) real property.
B) home mortgages.
C) equity REITs.
D) commercial mortgage backed securities (CMBS).

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

20) Primarily through land use controls and property tax policy, which of the following branches of government has the largest influence on real estate values?

20) _____

A) local government
B) state government
C) national government
D) foreign government

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

21) Competition for the currently available supply of locations and space coupled with the existing supply of leasable space, determines:

21) _____

A) the current level of rental rates for each submarket and property.
B) the riskiness of the expected cash flows of an income-producing property.
C) the timing of the expected cash flows of an income-producing property.
D) the cost of financing the purchase of a property.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

22) Each property has unique features, whether it is its age, the building design of its structures, or its location. As such, real estate markets consist of assets that are considered:

22) _____

A) homogeneous.
B) heterogeneous.
C) substitutes.
D) complements.

Question Details
Difficulty : Basic
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Learning Objective : 01-05 Discuss the primary ways that real estate markets are different from the m

23) Consistently the investment target of pension funds, publicly traded real estate companies, and real estate funds, large commercial properties valued well over $10 million are often referred to as:

23) _____

A) segmented property.
B) investment-grade property.
C) speculative-grade property.
D) immobile property.

Question Details
Difficulty : Basic
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Learning Objective : 01-05 Discuss the primary ways that real estate markets are different from the m

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24) The investment grade property market is typically targeted by all of the following groups of investors EXCEPT:

24) _____

A) pension funds.
B) individual investors.
C) listed equity REITs.
D) real estate private equity funds.

Question Details
Difficulty : Basic
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Learning Objective : 01-05 Discuss the primary ways that real estate markets are different from the m

25) The national government can have a significant impact on the value of real estate through:

25) _____

A) property tax policy.
B) income tax policy.
C) building Codes.
D) real estate licensing requirements.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

26) By the fourth quarter of 2018, U.S. households had accumulated $15.5 trillion in housing equity, which represents about 15 percent of their net worth. What proportion of U.S. households own their home?

26) _____

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A) one-third
B) one-half
C) two-thirds
D) three-fourths

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-04 Describe the role real estate plays in the portfolios of U.S. households.

27) The required rate of return that an individual demands on a real estate investment is determined in the:

27) _____

A) user market.
B) capital market.
C) government.
D) local market.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

28) Investors in real estate can choose to hold properties directly in the private market or indirectly through publicly traded real estate securities. The market for buying, selling, and leasing real estate can be characterized by all of the following EXCEPT:

28) _____

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A) localized markets.
B) highly segmented markets.
C) privately negotiated contracts.
D) low transaction costs.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-05 Discuss the primary ways that real estate markets are different from the m

29) Especially in terms of retail properties, which of the following attributes is considered the most likely to result in drastic value differences between otherwise similar properties?
29) _____

A) structural attributes
B) financing attributes
C) location attributes
D) land attributes

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-05 Discuss the primary ways that real estate markets are different from the m

30) Capital markets can be divided into two broad categories: equity interests and debt interests. Equity investors in real estate expect to earn a return on their investment through:
30) _____

A) the collection of rent and price appreciation.
B) the collection of interest on the borrowed funds used to purchase the property.
C) the receipt of property taxes.
D) the case of a borrower default on required mortgage payments.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

31) Considered a fundamental pricing metric in commercial real estate markets, the ratio of a property's annual net income to its market value is more commonly referred to as a(n):

31) _____

A) appreciation rate.
B) capitalization rate.
C) discount rate.
D) internal rate of return.

Question Details
Difficulty : Basic
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

32) Helping to constrain entry into real estate related occupations, which of the following branches of government is directly involved in establishing rules and regulations for the licensing of professionals in the field of real estate?

32) _____

A) local government
B) state government
C) national government
D) foreign government

Question Details
Difficulty : Basic
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

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33) A primary determinant of the feasibility of new construction is the relationship between the current level of property prices and the cost of new construction. We would expect the supply of properties to:

33) _____

A) increase if current property values are greater than the cost of construction.
B) decrease if current property values are greater than the cost of construction.
C) increase if current property values equal the cost of construction.
D) decrease if current property values equal the cost of construction.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-02 Discuss the distribution of U.S. land among the various uses to which it i

34) Equity investors can choose to participate indirectly in real estate markets by purchasing shares in publicly traded real estate companies. In doing so, investors benefit from all of the following EXCEPT:

34) _____

A) low transaction costs.
B) risk sharing amongst investors.
C) highly segmented markets.
D) decrease if current property values equal the cost of construction.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-05 Discuss the primary ways that real estate markets are different from the m

35) Real estate markets tend to be highly segmented due to the heterogeneous nature of the products. Which of the following examples depicts this issue of market segmentation?

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35) _____

A) A couple searching for a single-family detached unit is willing to consider other residential property types such as an attached townhouse unit or condominium.

B) A couple searching for a single-family detached unit has limited their search to homes in a single elementary school district

C) A couple searching for a single-family detached unit has set a timeline for their search of 6 months, at which point they will renew their current apartment lease.

D) A couple searching for a single-family detached unit has limited their search to be in a specific price range between $350,000 and $400,000.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : Intermediate
Learning Objective : 01-05 Discuss the primary ways that real estate markets are different from the m

36) If a property's expected annual net income is $89,100 and its current market value is $1,060,000, the property's capitalization rate is:

36) _____

A) 4.2%.
B) 8.4%.
C) 11.9%.
D) 33.6%.

Question Details
Difficulty : Basic
Accessibility : Keyboard Navigation
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Learning Objective : 01-03 Discuss the value and importance of U.S. real estate compared with the val

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Answer Key

Test name: CH01

1) A
2) D
3) C
4) B
5) C
6) A
7) A
8) C
9) D
10) A
11) D
12) B
13) A
14) D
15) A
16) B
17) A
18) D
19) C
20) A
21) A
22) B
23) B
24) B
25) B
26) C

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27) B
28) D
29) C
30) A
31) B
32) B
33) A
34) C
35) D
36) B

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