



Department of Finance and Statistics

INTRODUCTION TO REAL ESTATE

Exam 26.9.2009

Time 4h

Can be used: Calculator

English dictionary if needed

Prof. Austin Jaffe:

1. Why is equity-build up not an advantage for real estate investors?
2. "If land is in fixed supply, real estate as an investment will be enhanced". True or false. Explain.
3. What is the key difference which distinguishes communal and private property rights?
4. What is the relationship between rents in central locations and the price of gasoline? Explain.
5. Prove that awarding rights to the party who owns the land may not be efficient.
6. What happens to the financial opportunity line if the interest rate changes?
7. Show by example a condition under which $BTCF < 0$. Can the Before-Tax-IRR be less than After-Tax-IRR? Explain.
8. Why does diversification matter for investors?
9. Can investors get wealthy by substituting debt for equity when making real estate investments? Explain.

Please answer on separate paper

Prof. Kauko Viitanen:

What are the main differences between real property and shares (100 %) of a mutual real estate company from the investor's point of view?