

**Read Instructions carefully**

Question #24

Companies invest in real estates as part of their portfolios because there is limited number of good stocks and bonds and appraisal values can be used to estimate the expected return.

- a. True
- b. False

Question #25

Studies have shown that companies invest in real estate as part of their portfolios because real estate investments are positively correlated with the markets.

- a. True
- b. False

Question #26

Rent income is less certain when compared with other income and that is probably one of the reasons why real estate investments are less risky than the other investments in the market.

- a. True
- b. False

Question #27

Use the information below to answer the following question.

You have cash on hand

Property value \$500,000

Loan-to-value ratio is 70%

Interest rate (nominal) is 6.50% per annum compounded semi-annually

Processing fees is 1.50% of loan

Cancellation penalty is 1.80% of outstanding mortgage balance

Mortgage payment paid annually

Term of loan 15 years

How much do you owe the bank if you leave at the end of Year 8?

- a. \$204,778
- b. \$230,927
- c. \$208,462
- d. \$210,026