

RE 310 – Principles of Real Estate

Sample Exam Questions – Real Estate Markets & Business Location Decisions – Solutions

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- _____ 1. Which of the following is the most important physical characteristic of real estate?
- A. Indestructability
 - B. Uniqueness
 - C. **FIXED LOCATION**
 - D. High search and information gathering costs
 - E. None of the above
- _____ 2. Different real estate markets are typically defined by which three characteristics?
- A. Property type, zoning, and geographic location
 - B. Building size, design, and geographic location
 - C. Property type, quality, and zoning
 - D. **PROPERTY TYPE, QUALITY, AND GEOGRAPHIC LOCATION**
 - E. None of the above
- _____ 3. In the _____, businesses and households buy and lease real estate in order to occupy and use it.
- A. land market
 - B. asset market
 - C. **SPACE MARKET**
 - D. building market
 - E. None of the above
- _____ 4. Commercial office users generally consider all of the following when selecting a site EXCEPT:
- A. Ease of access and commute times
 - B. Cost of occupying the space
 - C. Proximity to other businesses and offices
 - D. Prestige of the location
 - E. **RETAIL SPENDING POTENTIAL OF HOUSEHOLDS NEAR THE SITE**
- _____ 5. Suppose we were to see a sudden INCREASE in the demand for industrial space in Wichita. Which of the following scenarios is most likely to follow in the short run?
- A. **RENTS FOR EXISTING INDUSTRIAL SPACE WILL RISE AND VACANCIES WILL FALL.**
 - B. Rents for existing industrial space will fall and vacancies will rise.
 - C. Rents for existing industrial space will remain constant and vacancies will fall.
 - D. Rents for existing industrial space will remain constant and vacancies will rise.
 - E. Rents for existing industrial space will rise and vacancies will rise.

- _____ 6. In real estate markets, which of the following is true?
- A. The rents adjust rapidly so that the quantity of space demanded always equals the quantity supplied
 - B. Property owners can earn positive economic profit over the long run
 - C. The demand curve is fixed in the short run but is downward sloping in the long run
 - D. THE SUPPLY CURVE IS FIXED IN THE SHORT RUN BUT IS UPWARD SLOPING IN THE LONG RUN**
 - E. None of the above
- _____ 7. True or **FALSE**: All retail users prefer locations with very high median household incomes nearby.
- _____ 8. **TRUE** or False: In the short run, vacancy rates fall and rents increase in response to an increase in demand for a particular type of space. In the long run, new development activity brings vacancy rates and rents back down to a “normal level.”
- _____ 9. Office buildings that are of fairly high quality but do not command the highest rents because they lack the “wow” factor of high prestige tenants or amenities are categorized as _____ office buildings.
- A. general use
 - B. Class A
 - C. CLASS B**
 - D. Class C
 - E. midrange
- _____ 10. True or **FALSE**: Because real estate markets are imperfect, arbitrage is possible.
- _____ 11. _____ are generally characterized by a dominant theme or image.
- A. Freestanding retail buildings
 - B. Neighborhood shopping centers
 - C. Regional shopping centers
 - D. SPECIALTY SHOPPING CENTERS**
 - E. Strip shopping centers
- _____ 12. Which of the following is typically NOT a characteristic of a “poor” or declining real estate market?
- A. Falling sales prices
 - B. Falling rent levels
 - C. Less new development
 - D. DECREASING VACANCY RATES**
 - E. All of the above are characteristics of poor or declining real estate markets

- _____ 13. Real estate assets compete with other capital market assets in
- A. private equity markets.
 - B. private debt markets.
 - C. public equity markets.
 - D. public debt markets.
 - E. **ALL OF THE ABOVE**
- _____ 14. True or **FALSE**: Businesses typically do not care about the zoning of a prospective site, figuring it is easy to obtain the necessary permits once the site has been selected.
- _____ 15. In perfectly competitive markets, which of the following is true?
- A. **THE PRICE OF THE GOOD OR SERVICE ADJUSTS RAPIDLY SO THAT THE QUANTITY DEMANDED JUST EQUALS THE QUANTITY SUPPLIED**
 - B. The demand curve is fixed in the short run but is downward sloping in the long run
 - C. The supply curve is fixed in the short run but is upward sloping in the long run
 - D. Producers can earn positive economic profit over the long run
 - E. All of the above
- _____ 16. Different real estate markets are typically defined by which three characteristics?
- A. Property type, building design, and geographic location
 - B. Building size, building design, and geographic location
 - C. Property type, use or quality, and owner
 - D. **PROPERTY TYPE, GEOGRAPHIC LOCATION, AND USE OR QUALITY WITHIN A TYPE**
 - E. None of the above
- _____ 17. True or **FALSE**: Investor returns from real estate assets have little impact on long run vacancy rates and rent rates in the space market.
- _____ 18. Which of the following serves as an indicator of the balance between supply and demand in a real estate space market?
- A. Vacancy rate
 - B. Construction starts
 - C. Rent levels
 - D. Construction completions
 - E. **BOTH A AND C**