

Question #1 of 13

Question ID: 1485522

Lisa Brownard is considering investing in timberland. She owns a portfolio of stocks, bonds, and money market securities. Relative to her existing portfolio, the primary benefit of the timberland investment is most likely:

- A) timber values are tied to cyclical industries.
 - B) the investment horizon is longer than that of stocks and bonds, balancing the duration of the portfolio.
 - C) timber is a renewable resource so Brownard can profit from the land for many years.
 - D) low correlation between traditional asset returns and timberland returns.
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Question #2 of 13

Question ID: 1706119

A land developer has found a property that will be used to develop an apartment complex. Another developer that also had intended to construct an apartment complex is selling the property. Development of the property was started including the rough grading and initial drainage and erosion controls. The development fees and the permitting fees have not been paid. This property would be best categorized as a:

- A) blue top lot.
 - B) black top lot.
 - C) finished lot.
 - D) paper lot.
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Question ID: 1405102

When viewing undeveloped land as a call option, the option payoff is the difference between the value of the:

- A) original purchase price of the land and the value of improvements made to the property.

- B)** completed project and the original purchase price of the undeveloped land.
 - C)** completed project and the cost of developing and constructing the project.
 - D)** original purchase price of the undeveloped land and the cost of developing and constructing the project.
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Question ID: 1405096

As a natural resource option gets closer to its expiration date, if the price of receivables declines relative to the cost of deliverables, the option's intrinsic value will:

- A)** decrease as its time value decreases.
 - B)** decrease as its time value increases.
 - C)** increase as its time value increases.
 - D)** increase as its time value declines.
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Question ID: 1485516

Which of the following statements regarding exchange option factors and their impact on option values is most accurate?

- A)** An increase in equipment and labor cost volatility decreases option values.
 - B)** Decreases in commodity price volatility increases option values.
 - C)** A lower correlation between deliverables and receivables decreases option values.
 - D)** An increase in volatility in mineral rights costs increases option values.
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Question #6 of 13

Question ID: 1485518

A real estate investor is evaluating a group of blue top lots for potential investment. Which of the following statements regarding blue top lots is most accurate?

- A)** Blue top lots are ready for immediate home construction.

- B) Blue top lots are in an interim completion stage, with rough grading of the property and interim drainage controls completed.
- C) Blue top lots are ready for home construction, containing homes in various stages of construction.
- D) Blue top lots are vacant sites approved for development, but with no infrastructure.
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Question #7 of 13

Question ID: 1485517

A real estate development company is evaluating the option to develop a significant piece of land near a major highway using a single-period binomial model. The company estimates that in an up-market, the cost to complete the construction will be \$5 million and the development will have a value of \$12 million. Additionally, the company estimates that in a down market, the cost to complete the construction will be \$4.5 million and the development will have a value of \$4 million. The current value of a comparable development is \$7 million. If the risk-free rate of interest is assumed to be zero, the option value to develop the land is closest to:

- A) \$2.3 million.
- B) \$4.4 million.
- C) \$2.6 million.
- D) \$4.2 million.
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Question #8 of 13

Question ID: 1485524

Which of the following would most likely have the greatest impact on the value of farmland property?

- A) The property can be repurposed from the current crop to an alternative crop relatively quickly.
- B) A decrease in the domestic use of bio-fuels.
- C) There is a local demand rather than global demand for the crop.
- D) There is a co-op willing to lease the property.
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Question #9 of 13

Question ID: 1405105

Which of the following investment vehicles may be used to provide exposure to timberland?

- A) Neither exchange traded funds nor real estate investment trusts.
 - B) Only exchange traded funds.
 - C) Both exchange traded funds and real estate investment trusts.
 - D) Only real estate investment trusts.
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Question #10 of 13

Question ID: 1405109

Gilbert Rooney is considering several alternative investments including farmland and timberland. Which of the following is an advantage Rooney should consider that is specific to farmland investments?

- A) Short growth cycles.
 - B) Fixed supplies of crops.
 - C) Minimal agency risk because owners typically farm the land themselves.
 - D) Flexible harvesting schedules.
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Question #11 of 13

Question ID: 1485521

An investor is considering the purchase of a large tract of land to construct a conference center. The total cost of the project is estimated to be \$2.5 million over three years. A decision is being made in one year as to whether or not a major sporting event will be granted to the local vicinity. Should the games be awarded, the conference center needs to be ready in three years and the value of the facility will be twice the total investment; otherwise, the facility's value will be \$1 million. There is a 60% chance that the games will be granted to the local area. Budget specifics are as follows:

- Year 1: purchase of land, permits—\$250,000
- Year 2: construction of infrastructure—\$1,000,000
- Year 3: construction of facility—\$1,250,000

Assuming a discount rate of zero, what is the expected profit of the project?

- A) \$1.5 million.
 - B) \$1.4 million.
 - C) \$0.
 - D) \$3.4 million.
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Question #12 of 13

Question ID: 1485520

Which type of real estate is most likely to maintain its value over an extended period of time?

- A) Raw land.
 - B) Blue top lots.
 - C) Finished lots.
 - D) Fully developed property.
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Question #13 of 13

Question ID: 1405098

Diane Florrick has recently invested in an undeveloped piece of land. She paid \$350,000 for the land. There is a 30% chance the land will be developed. If developed, Florrick expects the land will return 25%. If undeveloped, the expected return on the land is 3%. The expected return on Florrick's investment is:

- A) 25.0%
- B) 3.0%.
- C) 9.6%.
- D) 7.5%.