

INSIDE COMMERCIAL REAL ESTATE
TREC #5445
FINAL EXAMINATION - ANSWER KEY

Return your answer sheet as per the instructions. Once you have successfully completed the final examination, your successful completion of the course3 will be reported to the TREC electronically, and you will be mailed a certificate of completion.

1. A difference between commercial and residential brokerage may be
 - a). the hours worked.
 - b). the type of information known.
 - c). the type of client.**
 - d). any or all of the above.

2. To find suitable properties for a buyer, the best resource is
 - a). the multiple listing service (MLS).
 - b). a search based upon the buyer's criteria.
 - c). other brokers who deal in similar product.
 - d). both b and c.**

3. Demographics would most likely be MOST important to which user?
 - a). Office
 - b). Retail**
 - c). Multifamily
 - d). Hotel

4. An office building of seven stories would most likely be classified as
 - a). single tenant.
 - b). lowrise.
 - c). midrise.**
 - d). highrise.

5. A manufacturer needs a building but has unusual needs in the layout and construction of the facility. What would be the best fit for them?
 - a). Sale-leaseback
 - b). Build to suit**
 - c). 1031 Exchange
 - d). Investment sale

6. An investor is interested in buying as many properties as possible with as little money as possible. That means the loans will be as high as possible. This type of financing is referred to as
 - a). high leverage.**
 - b). mid leverage.
 - c). low leverage.
 - d). investor grade.

7. A cellular phone company wants to locate a cell tower in a busy city. Which rights are MOST applicable to them?
 - a). Subsurface rights

- b). Mineral rights
- c). Air rights
- d). Water rights

8. The local power company has been asked to supply electricity to your newly built home. What gives them the right to put lines and poles on your property?

- a). Encroachment
- b). Easement
- c). Lien
- d). Adverse possession

9. You are looking at a piece of land. What are some LIKELY tests you will perform?

- a). Compaction
- b). Percolation
- c). Environmental
- d). All of the above

10. The clause in the contract that pertains to the buyer's right to get the property inspected and to perform tests is called

- a). estoppel.
- b). due diligence.
- c). letter of intent.
- d). subordination.

11. If a buyer or seller wants to keep the terms of their contract negotiation private, not to be disclosed to anyone else, what can be used?

- a). Subordination agreement
- b). Letter of intent
- c). Confidentially agreement
- d). Standstill agreement

12. Which lease clause addresses a tenant's right to let another user take over a part of the space?

- a). Subordination
- b). Common area
- c). Holding over
- d). Subletting and assignment

13. Which is the MOST common method used to analyze and value investment property?

- a). Sales comparison approach
- b). Cost approach
- c). Income approach
- d). Any of the above

14. Which of the following would NOT be considered an operating expense?
- a). Interest expense (on the mortgage)
 - b). Utility expenses
 - c). Real estate taxes
 - d). Common area maintenance
15. The BEST place to get a short-term bridge or acquisition loan would be a
- a). local bank.
 - b). life insurance company.
 - c). real estate investment trust.
 - d). pension fund.
16. On a very large commercial project, which lender would be the LEAST LIKELY to make the loan?
- a). Local bank
 - b). Life insurance company
 - c). REIT
 - d). Pension fund
17. How is a commercial information exchange (CIE) different from a multiple listing service (MLS)?
- a). There is no difference.
 - b). No blanket offer of compensation or cooperation exists.
 - c). The MLS is for residential property only; the CIE is for commercial property only.
 - d). The commission is stated in the CIE but not in the MLS.
18. Which document SHOULD be used to arrange for any sharing of commission between the listing broker and the selling broker?
- a). Exclusive right to sell agreement
 - b). One time showing agreement
 - c). Protection agreement
 - d). Co-brokerage agreement
19. Which duty shown below would an agent be LEAST LIKELY to do for a buyer client under an agency agreement?
- a). Find suitable property
 - b). Assist in locating lenders
 - c). Assist with due diligence items
 - d). Give legal and tax advice
20. The tenant pays some or all of the expenses of the property, including but not limited to, utilities, real estate taxes, insurance, common area maintenance, utilities, and repairs. This BEST describes which type of lease?
- a). Net
 - b). Gross
 - c). Percentage clause
 - d). Full service

21. The landlord pays all expenses, and the tenant's rent is one set amount that may be subject to increases. This BEST describes which type of lease?

- a). Net
- b). Gross**
- c). Percentage clause
- d). Ground

22. A broker would counsel a developer on all of the following EXCEPT

- a). the best price to pay.
- b). contract terms to request.
- c). local politics.
- d). proper corporate structure.**

23. What makes a tenant a good tenant?

- a). Strong financial statement
- b). Experience
- c). Business savvy
- d). All of the above**

24. Reports done by the property manager are specified by whom?

- a). Owner, per the property management agreement
- b). Local, state, and federal requirements
- c). Property management company
- d). All of the above**

25. What is one of the questions an owner should ask to determine whether they need a property manager rather than managing it themselves?

- a). Do I know all the laws (local, state, and federal) that affect this property?
- b). Do I know the rules of thumb for operational expenses?
- c). Is this the best use of my time?
- d). Any of the questions above**