

## Exam #4 Questions from Chapter 15 about Real Estate and Other Investments

Real estate investments are classified as \_\_\_\_\_.

- a) direct or indirect
- b) speculative or non-speculative
- c) cumulative or non-cumulative
- d) common or preferred

An example of an indirect real estate investment is a(n) \_\_\_\_\_.

- a) single family dwelling
- b) duplex
- c) warehouse
- d) Real Estate Investment Trust (REIT)

An example of a direct real estate investment is a \_\_\_\_\_.

- a) residential family dwelling
- b) limited partnership
- c) real estate syndicate
- d) Real Estate Investment Trust (REIT)

Real estate investments are usually considered attractive during times of high \_\_\_\_\_.

- a) deflation
- b) disinflation
- c) inflation
- d) recession
- e) unemployment

One of the advantages of investing in REITs (Real Estate Investment Trusts), real estate syndicates, or real estate limited partnerships is that you do not need to worry about \_\_\_\_\_.

- a) federal income taxes
- b) state income taxes
- c) property taxes
- d) maintenance chores

The ability to make money in real estate by using the bank's money is called \_\_\_\_\_ your investment. It can magnify your return but also can magnify your losses. It is the main reason that many real estate investors lost all of their money after the collapse of the real estate market in 2007 and 2008.

- a) leveraging
- b) de-leveraging
- c) powering
- d) dollar-cost averaging

One of the disadvantages of investing in real estate is that \_\_\_\_\_.

- a) real estate investments are often very illiquid (it is hard or time-consuming to find a buyer)
- b) property values can decline (*Yes, even in San Diego!*)
- c) sufficient diversification is difficult to achieve when you have all your investments tied up in one property
- d) tenants and property management companies can be problematic (*especially tenants!*)
- e) all of the above are potential disadvantages

Investors buy precious metals such as gold and silver for protection against \_\_\_\_\_.

- a) recession
- b) depression
- c) hyperinflation / economic collapse
- d) deflation

Fine art, gems, collectibles, stamps and coins are extremely risky. Most individual investors are best to simply ignore these areas unless they are intimately knowledgeable about the subject and really enjoy the items that they will collect. It may become a rewarding and enjoyable hobby but making money in these investments is very difficult. (Good luck! You will need it.)

- a) True
- b) False