

CHAPTER 2: Property Management Economics & Planning

MATCHING:

business cycle
 comparative income & expense analysis
 five-year forecast
 management plan
 neighborhood analysis
 economic oversupply
 property analysis
 gross rental income

operating costs
 comparables
 reserve funds
 optimum rents
 technical oversupply
 market analysis
 operating budget

1. _____ Wavelike movement of increasing and decreasing economic prosperity; 4 phases: expansion, recession, contraction, revival
2. _____ Properties used in a market analysis which are substantially similar to the subject building or apartments
3. _____ A financial study of the projected income from a property in as-is condition versus financial returns from that property if suggested capital improvements were implemented
4. _____ A market condition in which available rental space is priced beyond the financial capabilities of potential tenants
5. _____ A long-term projection of estimated income and expense for a property based on predictable changes
6. _____ Income determined by multiplying the amount of space in the building by the base rental rate for that type of building
7. _____ The financial and operational strategy for the ongoing management of a property, based on market analysis, property analysis and owner's goals
8. _____ Regional and neighborhood studies of economic, demographic to determine supply and demand and market trends
9. _____ A part of the management plan, an assessment of five factors in the market area of the subject property
10. _____ A projection of income and expense for the operation of a property over a one-year period
11. _____ Ideal rent for specific type of unit in a defined market area; may need to be adjusted to reflect pros and cons of subject property
12. _____ A study made to familiarize the manager with the nature and condition of a building, its position relative to comparable properties and its estimated income and operating expenses
13. _____ An expense category in the operating budget, monies set aside for replacement expenditures not covered by insurance
14. _____ Market condition in which available rental space exceeds tenant demand

15. _____ A calculation of yearly costs of operation based on operating expenses from comparable properties and the maintenance needs of the subject property

Chapter 2: True/False

1. **T F** One business cycle consists of expansion, recession, contraction and revival.
2. **T F** Long-term business cycles occur regularly once a year.
3. **T F** Hurricanes and terrorist attacks are considered part of long-term movements.
4. **T F** The management plan considers the surrounding area, the subject property and the owner's goals.
5. **T F** Real estate is not generally influenced by outside market forces.
6. **T F** When taking over a new property, the manager should begin by reading all the existing leases.
7. **T F** The outward appearance of the building is often referred to as "curb appeal."
8. **T F** Owners of rental properties usually have similar goals and interests.
9. **T F** An optimum rent may have to be adjusted to reflect the advantages and disadvantages of the subject property.
10. **T F** The amount of money that is available for use after paying expenses and the debt service is called reserve funds.

Chapter 2: Multiple Choice

1. **Which of the following best describes a market?**
 - a. Expansion and contraction phases
 - b. Seasonal variations
 - c. Cyclic and random changes
 - d. Exchange of goods between buyers and sellers

2. **The four phases of the business cycle are**
 - a. inflation, expansion, growth, contraction.
 - b. expansion, growth, contraction, revival.
 - c. expansion, recession, contraction, revival.
 - d. contraction, growth, revival, contraction.

- 3. Long-term movements in the real estate industry may be _____ those in the general economy.**
 - a. opposite
 - b. same as
 - c. longer than
 - d. shorter than

- 4. Which one of the following would be one of the more indirect government actions to influence the economy?**
 - a. Government decreasing taxes
 - b. Downturn in general business economy
 - c. Closure of defense facilities
 - d. Major plant closing

- 5. The residential rental market corresponds roughly to**
 - a. cycles in multifamily housing starts.
 - b. commercial properties.
 - c. industrial property.
 - d. construction of new shopping centers.

- 6. The financial and operational strategy for the ongoing management of a property is the**
 - a. property manager.
 - b. evaluation of all properties in the area.
 - c. management plan.
 - d. five-year forecast.

- 7. A property manager can measure economic trends through all of the following EXCEPT**
 - a. regional market analysis.
 - b. neighborhood market analysis.
 - c. supply and demand.
 - d. operating budget

- 8. If a property manager wants to find out if occupancy levels for a given type of property are rising or falling, he or she should**
 - a. call the local chamber of commerce.
 - b. survey comparable properties.
 - c. check with the census bureau.
 - d. consult the Consumer Price Index (CPI)

- 9. More available units than tenants indicates**
 - a. occupancy trends.
 - b. curb appeal.
 - c. economic oversupply.
 - d. technical oversupply.

- 10. Which of the following is the first step in the management plan?**
- a. Prepare five-year forecast
 - b. Prepare an operating budget
 - c. Establish optimum rents
 - d. Predict anticipated revenue