

California Real Estate Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. The wording "all monies paid on the property are to be held in trust until a release is obtained from the blanket encumbrance" is required to protect which party?**

 - A. Broker**
 - B. Holder of blanket encumbrance**
 - C. Purchaser**
 - D. Subdivider**
- 2. All of the following are methods for estimating accrued depreciation, except the:**

 - A. cost of reproduction method**
 - B. economic method**
 - C. engineering method**
 - D. market analysis method**
- 3. If the value of a property increases through no efforts, thinking, or planning on the part of the owner, what is such an increase called?**

 - A. Incremental gain**
 - B. Unearned Increment**
 - C. Earned Equity**
 - D. Passive Appreciation**
- 4. A trend in real estate _____ the recession trends of business, and when business starts a swing upward, real estate _____.**

 - A. follows, lags behind**
 - B. lags behind, precedes**
 - C. precedes, lags behind**
 - D. precedes, proceeds**

5. The Real Estate Commissioner has the power to investigate, suspend, or revoke the license of a licensee if they have been found guilty of:

- A. Submitting a check to the DMV that was dishonored or refused upon presentation**
- B. Using a false or fictitious name, or making false statements in any application for registration of a manufactured home as a vehicle**
- C. Both a and b**
- D. None of the above**

6. The initial step in the appraisal process is to:

- A. collect the fee**
- B. correlate the data**
- C. define the problem**
- D. determine the fee**

7. An appurtenant easement need NOT be mentioned in a deed since it:

- A. is hypothecated**
- B. is pledged**
- C. goes with the land/runs with the land and is thus automatically transferred**
- D. all of the above**

8. By what method does a tenant rent out his apartment if he has a leasehold interest in the apartment?

- A. Assign**
- B. Sublet/Sublease**
- C. Suffrage**
- D. Transfer**

9. A real estate syndicate ownership may take the form of:

- A. Corporation**
- B. Limited partnership**
- C. Real estate investment trust**
- D. All of the above**

10. All the following statements about an option given to an optionee for a \$1,000 consideration are true, except:

- A. The consideration is valid**
- B. The optionee has a legal interest in the property**
- C. The optionee has no obligation to purchase**
- D. The optionor must sell the property**

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Answers

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1. A
2. A
3. A
4. A
5. A
6. A
7. A
8. A
9. A
10. A

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Explanations

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1. The wording "all monies paid on the property are to be held in trust until a release is obtained from the blanket encumbrance" is required to protect which party?

- A. Broker**
- B. Holder of blanket encumbrance**
- C. Purchaser**
- D. Subdivider**

The phrasing "all monies paid on the property are to be held in trust until a release is obtained from the blanket encumbrance" indicates a measure put in place to safeguard a specific party's interests. In this scenario, the correct party being protected is the broker. Holding the funds in trust ensures that the broker has a clear and responsible role in managing the financial transaction between the parties involved. This protects the broker by affirming their fiduciary duty, ensuring they do not release the funds prematurely, which could lead to financial liability if the blanket encumbrance isn't resolved to allow for the free and clear transfer of the property. The focus here is on the broker's role in handling the funds diligently, ensuring that all conditions are met before the transfer of money, which is crucial in transactions that may involve existing liens or encumbrances. This practice maintains the integrity of the transaction and aligns with the broker's ethical obligations to act in the best interest of their clients.

2. All of the following are methods for estimating accrued depreciation, except the:

- A. cost of reproduction method**
- B. economic method**
- C. engineering method**
- D. market analysis method**

In the context of estimating accrued depreciation, the cost of reproduction method is typically used to determine the current cost to reproduce a property and then adjust this figure by accounting for depreciation factors. The other methods mentioned—economic, engineering, and market analysis—are valid techniques for estimating depreciation. The economic method looks at external factors that can affect property value, such as economic obsolescence due to changes in the neighborhood or market conditions. The engineering method involves a thorough analysis of the physical condition of a property, taking into account its structural integrity and any necessary repairs. The market analysis method considers comparable sales and the current market conditions to assess how depreciation affects value relative to similar properties. Since the cost of reproduction method does not estimate accrued depreciation but rather focuses on reproduction costs, it is the outlier here, contributing to the understanding of manageable depreciation but not as a direct method for estimating its extent.

3. If the value of a property increases through no efforts, thinking, or planning on the part of the owner, what is such an increase called?

- A. Incremental gain**
- B. Unearned Increment**
- C. Earned Equity**
- D. Passive Appreciation**

The situation described, where the value of a property appreciates without any active effort, thought, or planning on the part of the owner, is accurately termed an "unearned increment." This type of appreciation occurs due to external factors such as market conditions, increased demand in the area, or improvements in local infrastructure, which enhances the overall value of the real estate without any direct action from the owner. In contrast, terms like "earned equity" refer to value increases resulting from deliberate investments or improvements made to the property. "Passive appreciation" could imply a more general sense of value increase over time but does not specifically capture the essence of the "unearned increment," which indicates that the owner did nothing to facilitate the increase. "Incremental gain" is also not a widely recognized term in this context, further distinguishing the concept from the correct terminology regarding appreciation due to external forces. Thus, the term "unearned increment" is the most precise and appropriate label for this type of property value increase.

4. A trend in real estate _____ the recession trends of business, and when business starts a swing upward, real estate _____.

- A. follows, lags behind**
- B. lags behind, precedes**
- C. precedes, lags behind**
- D. precedes, proceeds**

The correct response refers to the cyclic relationship between the real estate market and broader business trends. When the statement indicates that real estate "follows" the recession trends of business, it means that the real estate market tends to react to economic changes after they have occurred in the business sector. Typically, in a recession, businesses may struggle, leading to reduced demand for real estate, whether for residential or commercial purposes. The statement continues with the notion that when business starts to swing upward, real estate will "lag behind." This reflects a common observation in economic cycles, where real estate recovery may take time to manifest after improvements in the business environment are apparent. Businesses may begin to thrive and show profitability before the demand for real estate picks up again, as consumers and businesses take time to regain confidence and invest in property. This trend is rooted in how economic recovery unfolds; businesses often have immediate metrics to indicate recovery, while real estate transactions usually require more time to gather momentum, thus establishing the time-lag effect. Other options present different associations between business trends and real estate, which do not accurately align with the observed lagging behavior of real estate in relation to business cycles.

5. The Real Estate Commissioner has the power to investigate, suspend, or revoke the license of a licensee if they have been found guilty of:

- A. Submitting a check to the DMV that was dishonored or refused upon presentation**
- B. Using a false or fictitious name, or making false statements in any application for registration of a manufactured home as a vehicle**
- C. Both a and b**
- D. None of the above**

The correct answer in this context is that the Real Estate Commissioner has the authority to take action against a licensee if they have been found guilty of submitting a check to the DMV that was dishonored or refused upon presentation. This is pertinent because such an action demonstrates a lack of financial responsibility and can reflect poorly on the conduct of a real estate professional. Engaging in practices that involve dishonored payments can indicate unethical behavior, which undermines the trust essential in real estate transactions. The Real Estate Commissioner is responsible for maintaining professional standards within the industry, and any behavior that could damage the integrity of real estate practices is taken seriously. While using a false or fictitious name or making false statements is also a serious issue and can warrant action, the key focus here relates to the specific situation presented by the first option. Thus, the emphasis is on the repercussions of financial irresponsibility and dishonest practices directly connected to the obligations of real estate professionals.

6. The initial step in the appraisal process is to:

- A. collect the fee**
- B. correlate the data**
- C. define the problem**
- D. determine the fee**

Collecting the fee may sound like an unusual first step in the appraisal process, but it is actually an important aspect. The fee refers to the compensation for the appraiser's time and effort in conducting the appraisal. It is important to collect the fee first because it ensures that the appraiser is properly compensated for their work and can fully dedicate their time and attention to the appraisal without financial distractions. While correlating the data (B) may seem like a valid first step, it is actually more appropriate for later stages in the appraisal process. Correlating the data involves analyzing and comparing the information collected during the appraisal, which would require data to be collected first. Defining the problem (C) is also an important step in the appraisal process, but it is not the initial step. Defining the problem involves understanding the scope and purpose of the appraisal, which can only be determined after the fee has been collected. Determining the fee (D) is a task that should be left to the appraiser, not the client or person requesting the appraisal. It is also not the initial step, as the fee should be discussed and agreed upon before the appraisal process begins.

7. An appurtenant easement need NOT be mentioned in a deed since it:

- A. is hypothecated**
- B. is pledged**
- C. goes with the land/runs with the land and is thus automatically transferred**
- D. all of the above**

An appurtenant easement is a type of easement that is attached to a specific piece of property (the dominant tenement) and benefits that property. One key characteristic of appurtenant easements is that they are inherently tied to the land itself. This means that when the property is sold or transferred, the easement automatically transfers along with it, regardless of whether it is explicitly mentioned in the deed. This automatic transfer of rights related to the easement ensures that the new owner of the dominant tenement, as well as the servient tenement (the property that is burdened by the easement), can continue to enjoy and use the easement without needing to reference this transfer in every deed. Therefore, an appurtenant easement does not need to be specifically mentioned to remain enforceable, as it is understood to "run with the land." The other options, while they might suggest forms of encumbrance or obligation, do not accurately reflect the nature of how easements operate in real property law. The defining feature of an appurtenant easement is its integral connection to the land, which allows it to exist independently of any deed references.

8. By what method does a tenant rent out his apartment if he has a leasehold interest in the apartment?

- A. Assign**
- B. Sublet/Sublease**
- C. Suffrage**
- D. Transfer**

The tenant rents out his apartment through the sublet or sublease method when he holds a leasehold interest in the apartment. This allows the original tenant to temporarily transfer some or all of his rights under the lease to another party, while still retaining the leasehold and overall responsibility to the landlord. This practice is beneficial for tenants who wish to retain their rental rights while accommodating personal circumstances, such as traveling or needing to relocate for a job. Importantly, whether a tenant can sublet often depends on the terms of the original lease agreement, which may require party permissions or impose restrictions. The concept of assignment also exists; however, it implies a complete transfer of the tenant's interests to a new tenant. In the context of this question, subletting is more accurate for someone who wants to rent out their apartment while maintaining their leasehold interest.

9. A real estate syndicate ownership may take the form of:

- A. Corporation**
- B. Limited partnership**
- C. Real estate investment trust**
- D. All of the above**

A real estate syndicate is an arrangement where multiple investors pool their resources to purchase and manage property, often enabling them to invest in larger assets than they could individually. The ownership structure of a real estate syndicate can take various forms, and each option mentioned represents a legitimate way to structure such an investment. A corporation is one of the potential structures for a syndicate. In this arrangement, the syndicate can operate as its own legal entity, which can limit the liability of its shareholders while allowing for easier transfer of ownership interests. A limited partnership is another common structure specifically designed for pooling resources. In a limited partnership, there are general partners who manage the investment and limited partners who contribute capital but do not partake in day-to-day management, thus limiting their liability. A real estate investment trust (REIT) is yet another viable structure, allowing the syndicate to operate under specific regulations that enable it to function like a corporation, while focusing primarily on real estate investments. This structure provides tax advantages as well. Given that a real estate syndicate can be organized as a corporation, a limited partnership, or a real estate investment trust, the most comprehensive answer includes all of these forms of ownership. Therefore, the response indicating only the corporation fails to

10. All the following statements about an option given to an optionee for a \$1,000 consideration are true, except:

- A. The consideration is valid**
- B. The optionee has a legal interest in the property**
- C. The optionee has no obligation to purchase**
- D. The optionor must sell the property**

The correct understanding involves recognizing the nature of an option in real estate. When an option is granted to the optionee for a certain consideration, the optionee receives the right, but not the obligation, to purchase the property at the agreed-upon price within a specified time frame. The statement regarding the validity of the consideration is accurate; however, the consideration for an option, even for a nominal amount like \$1,000, is indeed valid under the law. Hence, consideration itself cannot be the reason for the incorrect statement. The statement that the optionee has a legal interest in the property is true because the option creates a binding contract that gives the optionee specific rights regarding the property. Additionally, the optionee retains the choice whether to proceed with the purchase, which means there is no obligation to buy unless they choose to execute the option, making that statement correct as well. On the other hand, the statement that the optionor must sell the property is crucial, as it underscores the commitment of the optionor to sell under the terms agreed upon. This obligation arises only if the option is exercised by the optionee. In this context, the validity of the consideration stands solid, and therefore the correct answer should address the misconceptions about

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://calirealestateexam.examzify.com>

We wish you the very best on your exam journey. You've got this!

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