

Humber College Real Estate Course 4 Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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!

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Questions

- 1. What type of loan is advanced as a collateral loan and typically involves interest-only payments?**
 - A. Development Loan**
 - B. Participation Financing**
 - C. Take-out Loan**
 - D. Standby Loan**
- 2. What is the purpose of a listing agreement?**
 - A. To establish a rental agreement between landlord and tenant**
 - B. To formalize auction sales for real estate**
 - C. To contract a seller with a real estate agent for marketing**
 - D. To create a financial budget for property purchase**
- 3. What does a high R/U factor imply regarding a property?**
 - A. There is little space available for new tenants**
 - B. There are many residential units in the area**
 - C. It may indicate the presence of considerable secondary space**
 - D. It suggests a low occupancy rate in buildings**
- 4. How do you calculate the R/U factor?**
 - A. Sum the usable space and the common space**
 - B. Multiply the usable space by the total area**
 - C. Divide the rentable space by usable space**
 - D. Add the usable space to the common area**
- 5. What aspect of properties does the income approach primarily analyze?**
 - A. The potential rental income generated**
 - B. The historical value of the property**
 - C. Current market prices of comparable properties**
 - D. Construction costs for new developments**

- 6. What is the primary function of the Real Estate Council of Ontario (RECO)?**
- A. To manage property tax assessments**
 - B. To regulate real estate professionals in Ontario**
 - C. To develop housing policies**
 - D. To facilitate real estate training programs**
- 7. Which formula represents the relationship between rentable area and usable area?**
- A. $R/U \text{ Factor} = R / U$**
 - B. $U = R / R/U \text{ Factor}$**
 - C. $R = U \times R/U \text{ Factor}$**
 - D. All of the above**
- 8. What is the primary function of the Ontario Real Estate Association (OREA)?**
- A. To set property values**
 - B. To represent and advocate for real estate professionals**
 - C. To manage property taxes**
 - D. To oversee real estate transactions**
- 9. What typically happens if a borrower defaults on a mortgage?**
- A. The borrower gets a refund**
 - B. The property may go into foreclosure**
 - C. The loan is automatically forgiven**
 - D. The interest rate is reduced**
- 10. What does the cap formula $I / R = V$ represent in real estate?**
- A. Income divided by rental yield equals value**
 - B. Investment divided by return equals value**
 - C. Net Operating Income divided by Cap rate equals property value**
 - D. Income multiplied by return equals investment value**

Answers

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

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Explanations

1. What type of loan is advanced as a collateral loan and typically involves interest-only payments?

- A. Development Loan**
- B. Participation Financing**
- C. Take-out Loan**
- D. Standby Loan**

The correct answer is a development loan. A development loan is typically secured by collateral, often in the form of the property being developed. This type of loan usually involves interest-only payments during the construction period, which allows the borrower to focus on the development itself without the burden of principal repayment until the property reaches a certain stage (usually completion) or until it is sold or refinanced. Development loans are particularly beneficial for builders and developers who need to fund costly projects without the immediate pressure of repaying principal. The interest-only payments help to manage cash flow during the often lengthy periods of construction and enable borrowers to use their financial resources more effectively. The other types of loans mentioned do not primarily focus on interest-only payments as part of their structure. Participation financing allows multiple lenders to share in financing a project, take-out loans are generally used to refinance existing debt with more favorable terms, and standby loans serve as a backup financing option rather than being a primary source of funds. Each of these has different characteristics and uses which distinguish them from development loans.

2. What is the purpose of a listing agreement?

- A. To establish a rental agreement between landlord and tenant**
- B. To formalize auction sales for real estate**
- C. To contract a seller with a real estate agent for marketing**
- D. To create a financial budget for property purchase**

The purpose of a listing agreement is primarily to contract a seller with a real estate agent for marketing their property. This legal document outlines the terms and conditions under which the real estate agent will represent the seller in the sale of their property. It specifies the agent's responsibilities, the duration of the agreement, the commission structure, and any other relevant details that govern the relationship between the seller and the agent. By formalizing this relationship, a listing agreement enables the real estate agent to actively market the property, list it on multiple platforms, and negotiate with potential buyers on behalf of the seller. This ensures that the seller has professional guidance throughout the selling process, increasing the chances of a successful transaction. The other options do not align with the primary function of a listing agreement, which is specifically focused on the sale of real estate rather than rental agreements, auction processes, or financial budgeting.

3. What does a high R/U factor imply regarding a property?

- A. There is little space available for new tenants
- B. There are many residential units in the area
- C. It may indicate the presence of considerable secondary space**
- D. It suggests a low occupancy rate in buildings

A high R/U factor, which stands for the ratio of residential units to the total area in a given property or development, implies that there may be a considerable amount of secondary space available. This means that alongside the residential units, there may be additional space that is not fully utilized or occupied, which could include common areas, retail spaces, or storage areas. When developers assess properties, a high R/U factor can indicate opportunities for improvement or development within that secondary space, potentially increasing the property's overall value or functionality. This context is important for understanding market dynamics, as investors or potential tenants may have specific needs for space usage. Additionally, a high R/U factor could suggest that there are opportunities for optimizing the use of existing space to attract more tenants or enhance the living experience for current residents.

4. How do you calculate the R/U factor?

- A. Sum the usable space and the common space
- B. Multiply the usable space by the total area
- C. Divide the rentable space by usable space**
- D. Add the usable space to the common area

To calculate the R/U factor, which stands for Rentable to Usable ratio, the correct approach is to divide the rentable space by the usable space. This calculation helps in determining how much of the total space is rent-generating versus how much is actually usable by the tenant. The R/U factor is particularly important in commercial real estate, as it allows landlords and tenants to understand the efficiency of the space being leased. When you know both the rentable and usable areas, the R/U ratio can indicate how much of the rented space includes common areas, such as lobbies, restrooms, and hallways, which are not directly usable by the tenant. This ratio is critical in lease negotiations and is a standard metric in understanding the space dynamics. Other methods mentioned, such as summing spaces or multiplying across areas, do not reflect the ratio essential for understanding the relationship between rentable and usable spaces. Therefore, the proper calculation of the R/U factor through the division of rentable by usable space is what accurately defines the relationship necessary in real estate assessments.

5. What aspect of properties does the income approach primarily analyze?

- A. The potential rental income generated**
- B. The historical value of the property**
- C. Current market prices of comparable properties**
- D. Construction costs for new developments**

The income approach primarily analyzes the potential rental income generated by a property. This method is essential for valuing investment properties, as it focuses on the revenue the property can produce over time. The underlying principle is that the value of a property is derived from its ability to generate income, which is particularly relevant for investors who are looking to purchase properties for rental purposes. By examining the expected rental income, including factors like vacancy rates and operating expenses, investors can estimate the property's value based on its ability to generate cash flow. This approach is especially applicable in commercial real estate, where the income generated is a key determinant of value. The other aspects, such as historical value, current market prices of comparable properties, and construction costs, are not the primary focus of the income approach. Instead, those factors might be relevant in other valuation methods, such as the sales comparison approach or the cost approach, but they do not drive the analysis within the income approach framework.

6. What is the primary function of the Real Estate Council of Ontario (RECO)?

- A. To manage property tax assessments**
- B. To regulate real estate professionals in Ontario**
- C. To develop housing policies**
- D. To facilitate real estate training programs**

The primary function of the Real Estate Council of Ontario (RECO) is to regulate real estate professionals in Ontario. This involves overseeing the conduct of real estate agents and brokers to ensure they comply with the laws and regulations governing the real estate industry in Ontario. RECO plays a critical role in protecting consumers by maintaining professional standards and ensuring that real estate professionals are adequately trained, licensed, and adhere to ethical practices. This regulation includes the responsibility for licensing real estate professionals, enforcing compliance with the Real Estate and Business Brokers Act, and managing the industry's Code of Ethics. By doing so, RECO promotes accountability and transparency within the real estate sector, which is essential for building consumer trust and confidence. The other choices reflect activities that are not within RECO's primary responsibilities. For instance, managing property tax assessments is generally the role of municipal governments or specific provincial agencies. Developing housing policies falls under the jurisdiction of government bodies focused on the broader housing strategy rather than a regulatory council. Facilitating real estate training programs, while related, is typically part of what real estate associations and educational institutions do, but it is not the primary regulatory function of RECO.

7. Which formula represents the relationship between rentable area and usable area?

- A. $R/U \text{ Factor} = R / U$**
- B. $U = R / R/U \text{ Factor}$**
- C. $R = U \times R/U \text{ Factor}$**
- D. All of the above**

The relationship between rentable area and usable area is a fundamental concept in real estate, particularly in the lease and rental process. Rentable area refers to the total area that is charged rent, which can include both usable area and a proportionate share of common areas, while usable area is the actual space that a tenant can use. The formulas provided in the options illustrate different ways to calculate or express this relationship. The first option defines the Rentable to Usable (R/U) ratio, clearly showing how the terms relate: Rentable area divided by Usable area gives you the R/U factor. The second option rearranges the definition to solve for usable area, indicating that if you know the rentable area and the R/U factor, you can find the usable area by dividing the rentable space by the ratio. The third option uses the previously defined R/U factor to express the rentable area as a product of usable area and the R/U factor. This reflects how the total area a tenant pays for can be derived when considering what area is actually usable. Each of these formulas conveys a different aspect of the same relationship, making all of them valid representations. Thus, the option that states all the formulas represent the relationship accurately encompasses the understanding of how one

8. What is the primary function of the Ontario Real Estate Association (OREA)?

- A. To set property values**
- B. To represent and advocate for real estate professionals**
- C. To manage property taxes**
- D. To oversee real estate transactions**

The Ontario Real Estate Association (OREA) primarily functions to represent and advocate for real estate professionals. This includes providing support and resources to its members, which encompass real estate agents and brokers across Ontario. OREA engages in advocacy efforts to influence policy and regulations that affect the real estate industry. Additionally, it offers training, education, and tools to help professionals in their practice, ensuring that they can better serve their clients and uphold high standards within the industry. While other options may refer to important aspects within the real estate sphere, they do not encapsulate OREA's core mission. For example, the association does not set property values, as this is typically the responsibility of real estate appraisers or market analysis rather than a professional organization. Similarly, while it plays a role in supporting transactions, it does not directly oversee them; that function is typically reserved for licensed real estate agents or governing bodies at various levels. Lastly, managing property taxes falls under the jurisdiction of municipal or provincial authorities, not OREA's mandate. Thus, option B accurately reflects OREA's primary role in the real estate landscape.

9. What typically happens if a borrower defaults on a mortgage?

- A. The borrower gets a refund**
- B. The property may go into foreclosure**
- C. The loan is automatically forgiven**
- D. The interest rate is reduced**

When a borrower defaults on a mortgage, it typically leads to the property going into foreclosure. Defaulting means that the borrower has failed to meet the repayment terms of the loan, which usually involves missing multiple payments. In such cases, the lender has the legal right to initiate foreclosure proceedings, allowing them to take possession of the property to recover their financial loss. Foreclosure is a legal process whereby the lender can sell the property to recoup the outstanding debt. This process can vary by jurisdiction but generally entails a series of notices and legal actions that culminate in the sale of the property at auction. After foreclosure, the borrower often loses their rights to the property and may face additional consequences, such as a lower credit score and difficulty obtaining future loans. Understanding this process emphasizes the importance of mortgage payments and the serious repercussions that a default can have for the borrower, both financially and personally.

10. What does the cap formula $I / R = V$ represent in real estate?

- A. Income divided by rental yield equals value**
- B. Investment divided by return equals value**
- C. Net Operating Income divided by Cap rate equals property value**
- D. Income multiplied by return equals investment value**

The formula $I / R = V$ is a fundamental concept in real estate valuation, representing how property value can be determined through its income potential. In this formula, "I" stands for Net Operating Income (NOI), "R" represents the capitalization rate, and "V" denotes the property value. In real estate, the capitalization rate is a measure of the expected rate of return on an investment property, expressed as a percentage. By dividing the net operating income by the cap rate, one can derive the current market value of the property. This relationship is vital for investors to assess whether a property is priced appropriately based on its income-generating potential. Understanding this formula is crucial for real estate professionals as it helps in making informed investment decisions. It allows them to analyze potential investment properties efficiently and thus aids in determining whether a property is a good investment based on its expected income relative to the risk represented by the capitalization rate. Knowledge of this formula is essential for effective valuation and investment strategy in real estate.

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://humberrealestate4.examzify.com>

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