

NBREA Real Estate Practice Test (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. Which act regulates condominiums?**
 - A. Real Estate Commission Act**
 - B. Land Use Act**
 - C. Condominium Property Act**
 - D. Housing and Urban Development Act**

- 2. Which of the following best describes Collateral in the context of the 5 C's of Credit?**
 - A. The borrower's credit history**
 - B. The down payment for the loan**
 - C. The securable value of the home being financed**
 - D. The overall income of the applicant**

- 3. What is the significance of a reserve fund's existence for condominiums with ten or more units?**
 - A. It allows for personal use of community assets**
 - B. It ensures long-term financial stability for communal expenses**
 - C. It provides tax exemptions for owners**
 - D. It increases the marketability of properties**

- 4. In what phase of a real estate bubble do investors show heightened enthusiasm and speculation?**
 - A. Crisis phase**
 - B. Peak phase**
 - C. Expansion phase**
 - D. Recovery phase**

- 5. What does the "Power of Escheat" allow a government to do?**
 - A. Transfer property to the highest bidder**
 - B. Take ownership of property due to unpaid taxes**
 - C. Confiscate property for public construction**
 - D. Sell property without due process**

- 6. Eligibility for the 95% home buyer program requires the property to be:**
- A. A vacation home**
 - B. An investment property**
 - C. A primary residence**
 - D. A commercial property**
- 7. What is one of the reasons why real estate supply and demand adjusts slowly?**
- A. Properties can be easily relocated**
 - B. Development projects take time to complete**
 - C. Market trends are predictable**
 - D. There are always enough houses available**
- 8. How does an estoppel certificate affect a buyer's decision in a condominium transaction?**
- A. It confirms the seller's ownership of the property**
 - B. It helps the buyer decide not to "buy into" the corporation**
 - C. It guarantees financing is available**
 - D. It provides a breakdown of property taxes**
- 9. Which of the following does NOT belong to the category of visible defects?**
- A. Improper installation**
 - B. Installation of low-quality goods**
 - C. Defects of omission**
 - D. Inadequate maintenance**
- 10. Which term refers to the total economic value of a country?**
- A. Consumer Price Index**
 - B. Gross National Product**
 - C. Gross Domestic Product**
 - D. Net Economic Value**

Answers

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

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Explanations

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1. Which act regulates condominiums?

- A. Real Estate Commission Act
- B. Land Use Act
- C. Condominium Property Act**
- D. Housing and Urban Development Act

The Condominium Property Act is specifically designed to regulate the formation, management, and operation of condominium properties. This act provides the legal framework for how condominiums are developed and governed, outlining the rights and responsibilities of the unit owners as well as the duties of the condominium association. It covers essential aspects such as the establishment of common areas, the creation of bylaws, and the maintenance of the property, thereby ensuring that both individual owners and the collective interests of the condominium community are protected. In contrast, the other acts mentioned deal with broader topics related to real estate and housing but do not specifically focus on condominiums. For example, the Real Estate Commission Act typically regulates real estate licensing and business practices rather than specific types of property ownership like condominiums. Similarly, the Land Use Act governs zoning and land use planning, which affects land development but does not pertain directly to the operation of condominium properties. The Housing and Urban Development Act focuses on housing development and policy initiatives but does not provide the specific regulations that govern condominiums. Therefore, the Condominium Property Act is the authoritative source for condominium regulation.

2. Which of the following best describes Collateral in the context of the 5 C's of Credit?

- A. The borrower's credit history
- B. The down payment for the loan
- C. The securable value of the home being financed**
- D. The overall income of the applicant

Collateral refers to an asset that a borrower offers to a lender to secure a loan. In the context of the 5 C's of Credit, collateral is best described as the securable value of the home being financed. This is because collateral serves as a protection for the lender; if the borrower defaults on the loan, the lender has the right to take possession of the collateral, which in this case is the home. The value of the home is important because it influences the lender's willingness to issue the loan. If the property's value is sufficient, it reassures the lender that they can recover their funds by selling the property if needed. Thus, in evaluating a loan application, the lender considers how much the home is worth relative to the loan amount requested. This assessment of the home's value directly ties into the concept of collateral as it relates to the security the lender is relying on for the loan. Other options to describe collateral, such as the borrower's credit history or overall income, do not accurately reflect the definition and purpose of collateral in the lending process. The down payment, while related to a loan, does not constitute collateral itself but rather represents the initial equity the borrower has in the property.

3. What is the significance of a reserve fund's existence for condominiums with ten or more units?

- A. It allows for personal use of community assets
- B. It ensures long-term financial stability for communal expenses**
- C. It provides tax exemptions for owners
- D. It increases the marketability of properties

The significance of a reserve fund's existence for condominiums with ten or more units primarily relates to ensuring long-term financial stability for communal expenses. A reserve fund is essential because it is set aside to cover larger, often unexpected expenses that arise in the maintenance and repair of the condominium's common areas and facilities. These expenses can include major repairs, such as roof replacements, structural repairs, or updates to amenities like pools and landscaping. By having a dedicated reserve fund, the condominium association can avoid sudden, hefty assessments for homeowners, making budgeting for these costs more manageable. Additionally, having a well-funded reserve fund reflects good financial management practices, which can enhance the overall appeal of the property to current and potential owners. When prospective owners see that a condominium association maintains a healthy reserve, it signifies responsible governance and a lessened risk of financial burden in the future, thereby contributing to the long-term stability of the community.

4. In what phase of a real estate bubble do investors show heightened enthusiasm and speculation?

- A. Crisis phase
- B. Peak phase
- C. Expansion phase**
- D. Recovery phase

In the expansion phase of a real estate bubble, investors exhibit heightened enthusiasm and speculation. During this period, prices begin to rise rapidly due to increased demand, often fueled by optimistic market sentiment and a belief that property values will continue to climb. Investors may engage in more aggressive buying due to the potential for high returns, expecting that they can sell the properties at an even higher price in the future. This surge in activity is typically characterized by speculative investments, wherein individuals purchase properties not merely for personal use or as long-term investments, but with the intention of flipping them for quick profits. As the bubble grows, the enthusiasm can lead to irrational behavior, where market fundamentals may be overlooked in favor of the allure of easy profits. Investors might disregard risks associated with a potential downturn because they are swept up in the prevailing optimism surrounding the market. The other phases mentioned each have distinct characteristics that do not align with the heightened enthusiasm and speculative nature of the expansion phase. In the crisis phase, for instance, panic and fears of declining values dominate the sentiment, leading to a withdrawal from the market. The peak phase marks the top of the market where growth begins to stabilize but does not exhibit the same level of enthusiastic speculation. Finally, the recovery phase generally reflects a return

5. What does the "Power of Escheat" allow a government to do?

- A. Transfer property to the highest bidder**
- B. Take ownership of property due to unpaid taxes**
- C. Confiscate property for public construction**
- D. Sell property without due process**

The concept of "Power of Escheat" allows a government to take ownership of property when an individual dies intestate (without a will) and without any heirs. This means that if there are no relatives or designated beneficiaries to inherit the property, it reverts to the state. While the option regarding unpaid taxes is related to the broader powers of the government, the specific context of escheat applies primarily to the situation of abandoned or unclaimed property, rather than solely focusing on the property being taken for taxation purposes. In terms of other options, the transfer of property to the highest bidder relates to a process of auctioning, which is not applicable in this context. Confiscating property for public construction usually involves different legal mechanisms, like eminent domain, rather than escheat. The idea of selling property without due process also does not align with the escheat doctrine since the process requires certain legal frameworks to ascertain that the property is truly unclaimed and there are no existing heirs. Overall, the power of escheat ensures that property does not remain in limbo and allows the government to manage such properties appropriately.

6. Eligibility for the 95% home buyer program requires the property to be:

- A. A vacation home**
- B. An investment property**
- C. A primary residence**
- D. A commercial property**

The correct choice is a primary residence because eligibility for the 95% home buyer program typically requires that the property be used as the homeowner's primary living space. This program is designed to assist individuals in purchasing homes that they will occupy as their main residence, providing them with more favorable loan terms and conditions, such as lower down payments. In contrast, vacation homes, investment properties, and commercial properties do not qualify for such programs as they are not intended for occupancy as a primary living environment. A vacation home is typically a secondary residence, an investment property is meant for generating rental income, and commercial properties are used for business purposes. Thus, the focus on primary residences ensures that the program supports homeowners rather than investors or individuals purchasing properties for non-residential use.

7. What is one of the reasons why real estate supply and demand adjusts slowly?

- A. Properties can be easily relocated**
- B. Development projects take time to complete**
- C. Market trends are predictable**
- D. There are always enough houses available**

Real estate supply and demand adjusts slowly primarily because development projects take time to complete. When there is an increase in demand for real estate, for example, it is not possible to simply snap one's fingers and create new housing or commercial spaces. The process of planning, securing financing, obtaining permits, and constructing properties can take several years. This lengthy process means that even if demand spikes, the supply side of the market cannot react immediately. In urban planning and real estate development, various factors, including zoning regulations, environmental assessments, and construction timelines, contribute to this slow adjustment. Market dynamics such as rising prices may attract new development, but the timeframe for bringing new properties to market creates a lag between supply and demand changes. Hence, this reality emphasizes how nuanced and complex the real estate market can be, particularly in response to shifting demands.

8. How does an estoppel certificate affect a buyer's decision in a condominium transaction?

- A. It confirms the seller's ownership of the property**
- B. It helps the buyer decide not to "buy into" the corporation**
- C. It guarantees financing is available**
- D. It provides a breakdown of property taxes**

An estoppel certificate is a crucial document in condominium transactions because it provides important information about the relationship between the condominium owner and the homeowners association (HOA). It serves as a confirmation of various facts regarding the property, including any outstanding dues, the owner's status in relation to the HOA, and any pending litigation or disputes. When a buyer is considering purchasing a condominium, reading the estoppel certificate can significantly influence their decision-making process. For example, if the certificate reveals that the seller has unpaid dues, ongoing litigation, or other issues, the buyer may choose to reconsider their purchase. This potential for negative information can discourage the buyer from proceeding, hence the phrase "not to 'buy into' the corporation," indicating that the buyer might opt out of the transaction based on the financial and legal standings outlined in the certificate. The other options do not accurately represent the role and impact of the estoppel certificate. It does not confirm the seller's ownership, nor does it guarantee financing availability or provide a breakdown of property taxes. Instead, it primarily affects the buyer's perception of the investment risks and responsibilities associated with purchasing a unit in the condominium association.

9. Which of the following does NOT belong to the category of visible defects?

- A. Improper installation**
- B. Installation of low-quality goods**
- C. Defects of omission**
- D. Inadequate maintenance**

The concept of visible defects refers to issues in a property that can be easily observed and identified upon inspection. In this context, defects of omission involve failures to act or include essential elements during construction or renovation that are not always immediately visible. Examples of such omissions could include not installing necessary safety features or leaving out specific materials, which may lead to potential issues down the line but are not visible at first glance. On the other hand, improper installation, installation of low-quality goods, and inadequate maintenance represent observable problems. These issues can typically be seen and assessed during a property inspection. For instance, improper installation might lead to misaligned fixtures that are easily noted, low-quality materials can visibly deteriorate, and signs of inadequate maintenance, such as peeling paint or water stains, are often apparent to an observer. Understanding these distinctions helps in assessing properties and identifying areas that need remediation or might influence a potential buyer's decision. Recognizing visible defects is crucial for maintaining property value and ensuring habitability.

10. Which term refers to the total economic value of a country?

- A. Consumer Price Index**
- B. Gross National Product**
- C. Gross Domestic Product**
- D. Net Economic Value**

The term that refers to the total economic value of a country is Gross National Product (GNP). GNP measures the total economic output produced by a country's residents, regardless of where the production takes place. It includes the value of all finished goods and services produced within a specific time period, typically a year, and adds the net income earned by residents from investments abroad while subtracting the income earned by foreign residents from domestic investments. GNP provides a comprehensive picture of the economic performance and productivity of a nation by considering the contributions of its citizens and businesses, regardless of whether they are within national borders or in other countries. This makes GNP an essential indicator for understanding the overall economic strength and capabilities of a country, which can be used for comparison with other nations as well as for assessing economic policies. In contrast, other terms like the Consumer Price Index (CPI) measure inflation and price changes rather than total economic value. Gross Domestic Product (GDP) measures the total economic output within a country's borders, which is slightly different from GNP, and Net Economic Value relates more to asset valuation rather than an aggregate measure of economic output.

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://nbrearealestate.examzify.com>

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

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