

# Nova Scotia Real Estate Practice Exam (Sample)

## Study Guide



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## **Questions**

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- 1. Which of the following best defines property zoning?**
  - A. Rules that determine how land can be used**
  - B. A shorthand for real estate terminology**
  - C. The market value of a piece of real estate**
  - D. Competition among real estate agents**
  
- 2. What is the total MLS square footage of a bungalow measuring 26' x 42'?**
  - A. 1,050**
  - B. 1,092**
  - C. 1,100**
  - D. 1,200**
  
- 3. What is a comparative market analysis (CMA) used for?**
  - A. To estimate a property's value based on its original listing price**
  - B. To compare properties only within the same neighborhood**
  - C. To analyze property value based on similar properties recently sold**
  - D. To determine the commission rates of agents**
  
- 4. Which factors might influence a lender's decision on a mortgage application?**
  - A. Property location and market trends**
  - B. Homeowner association fees and taxes**
  - C. Credit history and income stability**
  - D. Past rental history and lease agreements**
  
- 5. What is the main goal of real estate investment analysis?**
  - A. To determine the aesthetic appeal of a property**
  - B. To assess the financial viability of an investment**
  - C. To identify optimal marketing strategies**
  - D. To evaluate neighborhood demographics**

**6. What does a real estate license allow an individual to do in Nova Scotia?**

- A. Conduct independent property appraisals**
- B. Represent buyers and sellers in transactions**
- C. Engage in property management services**
- D. Offer legal advice related to real estate**

**7. What role does property condition play in depreciation?**

- A. It has no effect on the property's value**
- B. Improving conditions can prevent depreciation**
- C. Declining physical condition can reduce market value**
- D. It only affects the aesthetic value of the property**

**8. What is a primary characteristic of a first legal mortgage?**

- A. It is unsecured**
- B. It has the least priority in claims**
- C. It involves borrower equity release**
- D. It provides a claim priority over other mortgages**

**9. Which of the following best describes the role of a Brokerage in real estate?**

- A. Act as a financial institution**
- B. Oversee transaction processes**
- C. Manage properties directly**
- D. Provide legal advice to clients**

**10. What does "due diligence" entail in real estate investing?**

- A. The process of closing a sale quickly**
- B. Performing an analysis of potential buyers**
- C. Investigating a property's condition and verifying legal details**
- D. Developing marketing strategies for property listings**

## **Answers**

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

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## **Explanations**

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**1. Which of the following best defines property zoning?**

- A. Rules that determine how land can be used**
- B. A shorthand for real estate terminology**
- C. The market value of a piece of real estate**
- D. Competition among real estate agents**

Property zoning refers to the regulatory framework established by local governments that designates how land within a specific area can be used. This includes dictating whether a given parcel of land can be utilized for residential, commercial, industrial, or agricultural purposes, among other classifications. Zoning laws are essential for maintaining the organized structure of communities and for ensuring that land use is compatible with surrounding properties. For instance, zoning regulations may prevent a factory from being built next to a residential neighborhood, thereby protecting residential property values and the quality of life for residents. The other options do not accurately capture the essence of property zoning. Zoning is not merely a shorthand for real estate terminology, as that would imply it is just terminology without regulatory implications. Furthermore, it is not a measure of market value; while zoning can influence market conditions, it does not determine the worth of a property directly. Lastly, zoning is unrelated to competition among real estate agents, which pertains to market dynamics and sales practices rather than land use regulations. Therefore, the definition that best encapsulates the concept of property zoning is indeed the one highlighting the rules that determine how land can be used.

**2. What is the total MLS square footage of a bungalow measuring 26' x 42'?**

- A. 1,050**
- B. 1,092**
- C. 1,100**
- D. 1,200**

To determine the total square footage of a bungalow measuring 26 feet by 42 feet, you need to multiply the length by the width. Calculating the area involves the following steps: 1. **\*\*Multiply the dimensions\*\*:** 26 feet (width) x 42 feet (length) = 1,092 square feet. When calculating square footage, it's essential to ensure that both dimensions are in the same units, which they are in this case (feet). The resulting area of 1,092 square feet accurately reflects the size of the area being measured, making B the correct choice. This figure is commonly used in real estate listings to provide potential buyers with a clear understanding of the property's size. Options that present different square footage figures would be based on incorrect calculations or additional assumptions that might not apply to the given dimensions. Thus, 1,092 square feet is confirmed as the accurate total MLS square footage for the bungalow specified.

### 3. What is a comparative market analysis (CMA) used for?

- A. To estimate a property's value based on its original listing price
- B. To compare properties only within the same neighborhood
- C. To analyze property value based on similar properties recently sold**
- D. To determine the commission rates of agents

A comparative market analysis (CMA) is a tool used to estimate a property's market value based on the sale prices of similar properties that have recently sold in the area. This approach takes into account various factors, including location, size, condition, and amenities, to establish a fair and accurate value for the property in question. By analyzing comparable properties, real estate professionals can provide homeowners and buyers with a realistic perspective on what a property is worth in the current market. This method is crucial for setting competitive listing prices, negotiating offers, and making informed decisions, as it directly reflects current market conditions. The use of recently sold properties ensures that the analysis is relevant and grounded in actual sales data rather than speculation or outdated pricing. In contrast, estimating a property's value based solely on its original listing price may not reflect current market dynamics. Limiting the comparison to properties only within the same neighborhood can result in an incomplete analysis, as properties in different neighborhoods could share similar characteristics and values. Additionally, determining commission rates of agents is unrelated to property valuation and falls under the scope of agent agreements rather than market analysis.

### 4. Which factors might influence a lender's decision on a mortgage application?

- A. Property location and market trends
- B. Homeowner association fees and taxes
- C. Credit history and income stability**
- D. Past rental history and lease agreements

The decision of a lender on a mortgage application is significantly influenced by a borrower's credit history and income stability. Credit history provides insight into the borrower's past financial behavior, reflecting their ability to repay debts. A strong credit score typically suggests that the borrower has managed their finances well, making them a lower risk for the lender. Income stability is equally important because it assures the lender that the borrower has a consistent source of income to make mortgage payments over the long term. Lenders often look for steady employment and a reliable income to gauge the borrower's capability to honor the financial commitment of a mortgage. By assessing these factors, lenders can evaluate the risk associated with approving the mortgage application and make more informed lending decisions.

## 5. What is the main goal of real estate investment analysis?

- A. To determine the aesthetic appeal of a property
- B. To assess the financial viability of an investment**
- C. To identify optimal marketing strategies
- D. To evaluate neighborhood demographics

The main goal of real estate investment analysis is to assess the financial viability of an investment. This involves analyzing various financial metrics, such as return on investment (ROI), cash flow, net present value (NPV), and internal rate of return (IRR). Investors utilize this analysis to ensure that a property meets their investment objectives and offers a favorable risk-reward balance. By conducting a thorough financial analysis, investors can make informed decisions about whether to proceed with a purchase, hold onto an investment, or sell it. This process helps in understanding the potential profitability and sustainability of an investment amidst various factors such as market conditions, property management expenses, and potential appreciation or depreciation of the property. While understanding a property's aesthetic appeal, marketing strategies, and neighborhood demographics can be valuable in real estate, they serve more as supplementary considerations to the financial analysis. The core focus remains on whether the investment will yield satisfactory financial returns, making this the central purpose of real estate investment analysis.

## 6. What does a real estate license allow an individual to do in Nova Scotia?

- A. Conduct independent property appraisals
- B. Represent buyers and sellers in transactions**
- C. Engage in property management services
- D. Offer legal advice related to real estate

A real estate license in Nova Scotia allows an individual to represent buyers and sellers in transactions. This is a fundamental role of licensed real estate professionals, who facilitate the buying and selling process by acting on behalf of clients. They provide essential services such as marketing properties, showcasing them to potential buyers, negotiating offers, and handling the necessary paperwork involved in real estate transactions. Each of the other options involves activities that may require additional qualifications or different types of licenses. Conducting independent property appraisals generally requires specific appraisal certification. Engaging in property management services often necessitates additional training and sometimes a different license. Offering legal advice related to real estate is restricted to licensed legal professionals, as this falls under the practice of law and requires a law degree and relevant legal licensing. Thus, the unique function of a real estate license is primarily centered on transaction representation.

## 7. What role does property condition play in depreciation?

- A. It has no effect on the property's value
- B. Improving conditions can prevent depreciation
- C. Declining physical condition can reduce market value**
- D. It only affects the aesthetic value of the property

The impact of property condition on depreciation is significant, and the chosen answer highlights a crucial aspect of real estate valuation. When the physical condition of a property declines, it often leads to a reduction in market value. This occurs because potential buyers may perceive the property as needing repairs or upgrades, which can deter interest or lower the price they are willing to pay. Factors such as structural integrity, maintenance issues, and overall wear and tear directly affect how the property is valued in the market. When a property is well-maintained and in good condition, it is typically seen as more desirable, which can help maintain or even increase its market value. In contrast, neglecting property maintenance can lead to depreciation as a factor in the cost and effort needed to restore the property to an acceptable condition. Understanding this relationship is crucial for both property owners and real estate professionals, as it directly influences investment decisions and property management practices. Other options do not accurately represent the influence that property condition has on depreciation. Some suggest that condition has no effect or only affects aesthetic value, which overlooks its critical impact on market value and buyer perception.

## 8. What is a primary characteristic of a first legal mortgage?

- A. It is unsecured
- B. It has the least priority in claims
- C. It involves borrower equity release
- D. It provides a claim priority over other mortgages**

A first legal mortgage is defined by its claim priority over other mortgages placed on the same property. This means that, in the event of default, the lender of the first mortgage has the right to be repaid before any subsequent mortgage lenders. This priority is crucial because it enhances the security for the lender, allowing them to recover their investment before others in the event of foreclosure. In the context of real estate financing, the importance of the claim priority cannot be overstated. Borrowers with a first mortgage are typically seen as having a more favorable loan position since they bear the least risk of losing their claim to the property should financial difficulties arise. Understanding this aspect of first legal mortgages is essential for those involved in real estate transactions, as it greatly affects financing options and borrower risk management. The other options do not accurately describe the nature of a first legal mortgage. For example, it is secured rather than unsecured, thus providing lenders with collateral in the form of the property. Additionally, it holds the highest priority instead of the least, making it a critical tool for lenders when assessing risk. Furthermore, while borrower equity release may be a function of some mortgage strategies, it is not a defining characteristic of a first legal mortgage specifically.

**9. Which of the following best describes the role of a Brokerage in real estate?**

- A. Act as a financial institution**
- B. Oversee transaction processes**
- C. Manage properties directly**
- D. Provide legal advice to clients**

The role of a Brokerage in real estate fundamentally revolves around overseeing transaction processes. This includes facilitating negotiations between buyers and sellers, ensuring compliance with relevant laws and regulations, and managing the details of real estate transactions from start to finish. The Brokerage acts as a mediator in these transactions, helping to coordinate communication and documentation between parties involved. By overseeing transaction processes, a Brokerage ensures that all necessary steps are followed to complete a sale, lease, or other real estate agreements effectively. This role is essential in promoting transparency and maintaining professionalism in the industry. While other options suggest important functions within the real estate sector, they do not accurately encompass the primary responsibilities of a Brokerage. For example, a Brokerage does not function as a financial institution, nor is it directly involved in the management of properties or providing legal advice, which typically fall under the purview of specialized professionals in respective fields.

**10. What does "due diligence" entail in real estate investing?**

- A. The process of closing a sale quickly**
- B. Performing an analysis of potential buyers**
- C. Investigating a property's condition and verifying legal details**
- D. Developing marketing strategies for property listings**

Due diligence in real estate investing refers specifically to the comprehensive investigation and evaluation of a property prior to making a purchase. This process is crucial as it helps investors uncover any potential issues that may affect the property's value or usability, and it ensures that all legal details are in order. Investigating a property's condition involves examining structural aspects, systems (like plumbing or electrical), and overall maintenance of the property to identify any repairs or investment needs. This can also include obtaining home inspection reports and environmental assessments. Verifying legal details involves checking the title, zoning regulations, and any liens or restrictions that may exist on the property. This thorough assessment helps to mitigate risks and enhances the likelihood of a successful investment. While the other options touch on elements of real estate activities, they do not capture the full essence of due diligence. Closing a sale quickly may be beneficial but does not involve the careful examination of the property. Analyzing potential buyers is important for sales but not part of the due diligence process focused on the property itself. Developing marketing strategies, while critical for selling or renting properties, is unrelated to the due diligence required when considering a property purchase. Hence, the investigation of a property's condition and verification of legal details is the accurate and most relevant definition of due diligence.