Question #1 of 8

Question ID: 1576515

Investments in infrastructure assets that will be constructed in the future are *most accurately* described as:

A) brownfield infrastructure investments.

B) greenfield infrastructure investments.

C) openfield infrastructure investments.

Explanation

Greenfield investments are infrastructure assets to be built. Brownfield investments are infrastructure assets that already exist.

(Module 81.2, LOS 81.c)

Question #2 of 8

Question ID: 1577992

Which of these is an example of a social infrastructure asset?

A) Railway systems.

B) Public hospitals.

C) Data centers.

Explanation

Social infrastructure includes health care assets, social housing, correctional facilities, and government/municipal buildings. Economic infrastructure supports economic activities and includes transportation (e.g., railway systems), information and communication technology (e.g., data centers), and utility and energy.

(Module 81.2, LOS 81.c)

Question #3 of 8

Question ID: 1577990

During steep market downturns, the correlation between REITs and market equity returns tends to:

A) decrease.

B) increase.

C) stay the same.

Explanation

During steep market downturns, the correlation between REIT returns and equity returns increases.

(Module 81.1, LOS 81.b)

Question #4 of 8

Question ID: 1577994

Which type of infrastructure investment has the highest risk-return profile?

A) Brownfield.

B) Greenfield.

C) Secondary stage.

Explanation

Greenfield investments are new infrastructure development and have the highest risk and potential return. Secondary stage investments in fully operational facilities have the lowest risk-return profile because they have a record of generating steady cash flows. Brownfield investments are redevelopment of existing infrastructure and have more risk than secondary stage investments but less than greenfield investments.

(Module 81.2, LOS 81.d)

Question #5 of 8

Question ID: 1576514

Social infrastructure assets *most likely* include:

A) broadcasting towers.

B) waste treatment plants.

C) health care facilities.

Explanation

Health care facilities are categorized as social infrastructure. Waste treatment plants are utility infrastructure. Broadcasting towers are communications infrastructure.

(Module 81.2, LOS 81.c)

Question #6 of 8

Question ID: 1577991

Which of the following is *least likely* a unique risk of property development?

A) Regulatory issues.

B) Default risk.

C) Construction delays.

Explanation

When a development uses leverage, default risk increases because the investment is riskier. However, default risk applies to investments that use leverage; this is not unique to real estate development. Regulatory issues, including environmental regulations and zoning permits, can prevent a real estate development project from moving forward. Construction delays can change the economics of the investment due to changing market conditions and the impact of the time value of money on the IRR.

(Module 81.1, LOS 81.b)

Question #7 of 8

Question ID: 1577993

Greenfield investments are *most likely* to be characterized by:

A) steady cash flow.

B) opportunistic development.

C) energy efficient assets.

Explanation

Greenfield assets are new infrastructure assets that provide opportunistic development investment opportunities. Development projects do not have steady cash flow; they have negative cash flows during the development phase. Green investing related to ESG involves allocating capital to assets that mitigate environmental challenges such as climate change, resource inefficiency, and biodiversity loss.

(Module 81.2, LOS 81.c)

Question #8 of 8

Question ID: 1576513

An additional risk of direct investment in real estate, which is not typically a significant risk in a portfolio of traditional investments, is:

A) liquidity risk.

B) market risk.

C) counterparty risk.

Explanation

Direct investment in real estate involves liquidity risk because large sums may be invested for long periods before a sale of the property can take place. Market risk exists for both traditional portfolio and real estate investments. Counterparty risk applies mainly to derivative contracts that require a payment from a counterparty, such as swaps and forwards.

(Module 81.1, LOS 81.a)