

# Sample Examination Questions

## **Level 4 Certificate in Sale of Residential Property**

**Unit 3: Legal Aspects of Residential Estate Agency (LAREA)**

**Unit 4: Practice Relating to Residential Estate Agency (PRREA)**

**Unit 5: Market Appraisal and Valuation in Residential Estate Agency (MAVREA)**

**Unit 6: Building Design and Defects in Residential Estate Agency (BDDREA)**

**Note: In your examinations each unit will be assessed separately.**

**ALL QUESTIONS REMAIN THE PROPERTY OF PROPERTYMARK QUALIFICATIONS AND MUST  
NOT BE REPRODUCED IN ANY FORM**

## **Unit 3: Legal Aspects of Residential Estate Agency (LAREA)**

### **Scenario 1**

Your father Peter decides to sell his house privately and advertises it in the local paper at £370,000. Paul arranges with your father directly to view the property, likes the house and subsequently makes an offer of £367,000. Your father tells Paul that he will only accept the full asking price of £370,000. The following Monday, Paul receives an email from Peter to say he will sell the house for £367,500 and he has until Friday to think about it. On Wednesday evening Paul meets his brother John for a drink, and John tells Paul that Peter has now actually sold the house earlier that day to a work colleague for £367,000. On returning home he emails your father accepting his offer to sell at £367,500. The next morning your father emails Paul and simply says "You are too late, I have sold the house to a work colleague".

**Below are two questions that will now need to be answered relating to the above scenario**

#### **Question 1**

Explain fully, in terms of contract law if a contract exists between Peter and Paul. (50% of the marks)

#### **Question 2**

If Peter had actually instructed your estate agency to sell the property on his behalf, but was in breach of contract with your firm by still agreeing a "private" sale directly with his work colleague, explain what remedies you may have against Peter to recover your aborted costs? (50% of the marks)

## **Scenario 2**

You are the manager of a branch office of a four office firm of estate agents. You have recently recruited a new member of staff, Lucy, who has no previous experience in agency but is very enthusiastic and very keen to learn.

**Below are two questions that will now need to be answered relating to the above scenario**

### **Question 1**

Your branch is selling a property for Ben, with an asking price of £399,995. Adam, a possible buyer, wishes to view Ben's property, and Lucy tells Adam that there are three interested buyers and that the highest offer so far is £390,000. She also tells Adam that this offer was from a cash buyer. However Lucy is fully aware that in actual fact there is only one interested buyer and the offer from them was only for £375,000 and the potential buyers need a mortgage. Explain the consequences of Lucy's over-enthusiasm. (50% of marks).

### **Question 2**

Adam now discovers that Lucy has misled him with regard to the offers on Ben's house and reports the matter to the local trading standards department. After investigation, you receive notification that the authorities are to take action. Explain what this action will be, and the procedures they will follow. (50% of marks).

### **Scenario 3**

Mike is buying a substantial freehold Edwardian property through your agency and intends to carry out his own conveyancing.

**Below are two questions that will now need to be answered relating to the above scenario**

#### **Question 1**

Mike contacts you and says that a neighbour is stating they own a strip of garden at the rear as they have used this for a long period of time. Explain on what grounds the neighbour may claim title to this area of land. (50% of the marks)

#### **Question 2**

Mike now telephones you to say he is ready to exchange contracts, but is unsure of the procedure. Explain what he needs to do. (50% of the marks)

## **Scenario 4**

You are one of two partners (and NAEA members) about to establish a single office residential estate agency business. You have been asked by your new partner to enquire about redress schemes.

**Below are two questions that will now need to be answered relating to the above scenario**

### **Question 1**

With reference to legislation (if any) explain what redress schemes are available and how they work. (50 % of marks)

### **Question 2**

Several months later you receive instructions to market a property. The client reveals they are hoping to buy another property, but have a shortfall between the possible sale price of their existing house and purchase price of the one they wish to buy. They ask your advice about "cashing in" an endowment policy which does not mature for a few years, and if they are best looking for a fixed interest rate or tracker mortgage. You have only personal experience of endowments and mortgage deals having move house yourself twice in the last 4 years. Explain, again with reference to specific legislation (if any) what you should do in this situation, and by which process you can give advice (50% of marks)

## **Unit 4: Practice Relating to Residential Estate Agency (PRREA)**

### **Scenario 1**

Your estate agency is acting for the seller of a property and has received an offer from a potential purchaser. When the negotiator who has been dealing with this property becomes unwell and has to take sick leave, a less experienced member of staff takes over their duties and has been dealing with this potential purchaser.

**Below are two questions that will now need to be answered relating to the above scenario**

#### **Question 1**

The member of staff is not aware that the potential purchaser has arranged for a building survey to be carried out by the building surveying department of your estate agency. Explain the possible implications of this for your estate agency. (50% of the marks)

#### **Question 2**

When the less experienced member of staff takes over the property, as there is no EPC yet available, they assume it has been commissioned by the client. Explain the procedures to be followed and the possible implications for your estate agency. (50% of the marks)

## **Scenario 2**

You have been asked to carry out a market appraisal of a detached house in a pleasant location in your area. The prospective client has recently been made redundant and wishes to downsize their property and release equity to enable them to start their own business. They will need to sell their own house before they can buy a smaller property.

**Below are two questions that will now need to be answered relating to the above scenario**

### **Question 1**

Set out what factors and information you will need to obtain in order to undertake your market appraisal. (50% of the marks)

### **Question 2**

At the end of the market appraisal appointment the prospective client says they wish to consider what you have said. They require more time to decide if they will give you their instructions or possibly consult other estate agents. Explain what you can do to gain their instructions. (50% of the marks)

### **Scenario 3**

A young professional couple have asked you to undertake a market appraisal of their property, an elegant townhouse in a popular, central location. The prospective clients have recently gained promotion and wish to move to larger premises in a more rural location with increased parking and garage facilities. They will need to sell their current property to proceed and want to achieve as high a price as possible as the property they are seeking to purchase will be more expensive. They do not have a required timescale for the sale.

**Below are two questions that will now need to be answered relating to the above scenario**

#### **Question 1**

Identify and explain what type of agency instructions are likely to be best for the sellers in this case? (50% of the marks)

#### **Question 2**

Advise the prospective clients as to the most appropriate method of sale. Explain the reasons why the advised method is appropriate and when the advice should be given. (50% of the marks)



## **Scenario 4**

You have been asked to prepare particulars for a semi-detached three-bedroom house in a residential area on the outskirts of town, around two miles from a mainline train station, within a mile of a good secondary school and around three miles from the sea. The house has two reception rooms, kitchen, bathroom and gas central heating. The garden is private and south facing, and there is a garage to the side of the property. The house requires some modernisation.

**Below are two questions that will now need to be answered relating to the above scenario**

### **Question 1**

Explain how you would set out the particulars for this property, what would be included and why this format is appropriate. (50% of the marks)

### **Question 2**

Set out your marketing strategy for the property. (50% of the marks)

## **Scenario 5**

Current market conditions are poor and sales are quite slow. You are selling a detached property that has an asking price of £349,500. You gave an indication to the seller at the market appraisal that you estimated the property might realise around £340,000. An offer of £330,000 has been received from a potential buyer. They have stated they have an offer on their own property and their buyer is keen to exchange contracts as soon as possible.

**Below are two questions that will now need to be answered relating to the above scenario**

### **Question 1**

In view of this, explain what information you now need to obtain and what you would report to your client, including your view relating to what actions should be considered by the seller for the sale to proceed? (50% of the marks)

### **Question 2**

A price of £330,000 is eventually agreed between the parties and the buyer is still keen to proceed. It transpires, however, that the buyer's lender will not lend them the amount they need, so the buyer may not be able to continue with the purchase. Why might a lender have increased their general restrictions on borrowing and what assistance, if any, can you give the potential purchaser? (50% of the marks)

## Unit 5 Market Appraisal and Valuation in Residential Estate Agency

### Scenario 1

Your office is located in a large, popular market town. The Planning Authority covering the town has just published its Draft Local Plan. One of the proposed policies includes the allocation for housing development of 1100 dwellings on 49 hectares of land on the edge of the town over the next 25 years.

#### Question 1 of 5

Which of the following BEST describes the likely impact of the policy on the local housing market?

- A There is likely to be an oversupply of houses in the long term and prices will fall.
- B The increase in supply will be likely to keep pace with increasing demand and there will be little change in price.
- C People will be likely to be encouraged to defer making decisions to purchase and the demand for houses in the town will fall
- D There is likely to be an increase in demand for new houses and the price of existing houses will fall.


#### Question 2 of 5

What is likely to be the impact on house prices in the town in the short term?

- A Prices are likely to rise because of the increase in supply.
- B Prices are likely to fall because of the increase in supply.
- C Demand is likely to increase because prices are likely to increase.
- D There will be little or no impact on house prices.


#### Question 3 of 5

Which of the following BEST describes valuations carried out for lenders on existing properties in the town using the definition of projected market value?

- A An estimation of the future value of the property assuming marketing will begin on the date the valuation is given.
- B An estimation of the future value of the property assuming marketing has been completed.
- C An estimation of the present value of the property assuming marketing will begin on the date the valuation is given.
- D An estimation of the present value of the property assuming marketing will begin on the date of completion of the sale.


**Question 4 of 5**

How would you describe the effect of the allocation for new housing development on the position and shape of the supply curve?

- A The supply curve will shift to the left.
- B The supply curve will not change.
- C The supply curve will shift to the right.
- D The supply curve will shift towards the vertical.


**Question 5 of 5**

What is MOST likely to happen to the market value of properties close to the site allocated for new development?

- A Values may fall slightly.
- B Values may rise slightly.
- C Values may fall significantly
- D Values may rise significantly.


**Scenario 2**

You are carrying out a market appraisal for a client who wishes to sell a slightly run down four bedroom period cottage located on the main street in a large village which is popular with commuters.

**Question 1 of 5**

What would be the MOST appropriate marketing advice?

- A The property is unique and will prove difficult to value accurately and should be sold by auction.
- B The property is attractive and well located and should be marketed extensively to maximise the sale price.
- C The age of the property will reduce its appeal and the marketing period should be extended accordingly.
- D The market for a property of this type is likely to be limited and the asking price should be set conservatively to reflect this.


**Question 2 of 5**

Which of the following are likely to be positive factors affecting the value?

- A Low council tax and age.
- B Location and kerb appeal.
- C Size and condition.
- D Energy efficiency and proximity of shops and schools.


**Question 3 of 5**

Which of the following environmental factors are MOST likely to have an impact on the value of the property?

- A Light and noise pollution and energy efficiency.
- B Radon and methane gas.
- C Electromagnetic fields and flooding.
- D pollution and contamination.


**Question 4 of 5**

Which of the following improvements might you recommend to the seller as a quick way to increase the value of the property prior to placing it on the market?

- A Replacement windows.
- B Replacement kitchen or bathroom.
- C Redecoration inside and outside.
- D An extension to provide a further bedroom.


**Question 5 of 5**

Which of the following is NOT a statutory consideration which may affect the value of the property?

- A Residual and investment.
- B Residual and comparison.
- C Comparison and profits.
- D Comparison and contractors.


**Scenario 3**

You have been asked to value a large detached Victorian house close to the centre of a large market town. The property is being sold with the benefit of consent for conversion to form five flats with additional consent for a further two detached dwellings on part of the former garden.

**Question 1 of 5**

Which of the following valuation methods is most likely to be adopted in carrying out the valuation?

- A Residual and investment.
- B Residual and comparison.
- C Comparison and profits.
- D Comparison and contractors.


**Question 2 of 5**

Your client has asked for an estimate of the rental value of the completed flats. Which of the following sources of evidence would you find the MOST useful in arriving at your opinion?

- A Data on average rents for the region.
- B Local estate agents web sites
- C Your own office records.
- D The latest index of private housing rental prices published by the Office for National Statistics


**Question 3 of 5**

When using the residual method to value a development site, which of the following defines the land value?

- A The difference between the gross costs of development and the net development value.
- B The difference between the net completed development value and the gross construction costs.
- C The difference between the developers profit and the gross costs of development.
- D The difference between the gross development value and the gross costs of development adjusted for buying costs and time


**Question 4 of 5**

Ideally what are the main variables that should be used to undertake an investment valuation of the completed flats?

- A Gross rents, YP, yield.
- B Gross rents, voids, investment return.
- C Gross rents, repairs and insurance, yield.
- D Gross rents, outgoings, yield.


**Question 5 of 5**

In the residual method which of the following are ALL costs of development?

- A Site clearance, construction, professional fees, finance, contingencies and developer's profit.
- B Site value, construction costs, professional fees, finance, contingencies and developer's profit.
- C Acquisition costs, construction costs, professional fees, finance, contingencies and developer's profit.
- D Gross development value, construction costs, professional fees, finance, contingencies and developer's profit.


**Scenario 4**

You have been approached to provide a formal valuation of a substantial detached property in an isolated location within an Area of Outstanding Natural Beauty (AONB). The house is close to the route of a proposed new relief road. The acquiring authority is yet to make any decision on the final route and no Compulsory Purchase Order has been confirmed.

**Question 1 of 5**

How would you set about valuing the property given the isolated location and lack of comparable evidence?

- A As there are no comparables, use an alternative method of valuation such as the contractors or depreciated replacement cost (DRC) method.
- B Find the average price for detached houses in the region using house price index data and add a premium for the attractive location.
- C Establish the 'tone' of value for similar houses in less isolated locations and add between 10 and 20% to reflect the benefits of the attractive location.
- D Establish the 'tone' of value for properties of similar size and character in other less isolated locations and then make adjustments for the benefits/detriments of the isolated but attractive location.


**Question 2 of 5**

Which of the following is NOT a means of implementing a Compulsory Purchase Order by an acquiring authority?

- A resolution of all statutory objections
- B service of a notice to treat
- C Service of a general vesting declaration
- D acceptance of a blight notice


**Question 3 of 5**

A CPO is finally confirmed and includes the whole of the property. After confirmation of the order but before the acquiring authority serves a notice to treat your client has found an alternative property. What action should they take?

- A your client must take no action as notice to treat has not been served and the acquiring authority is not yet obliged to purchase.
- B act reasonably to mitigate any loss, taking care not to take any action which would increase the amount of compensation.
- C seek approval from the acquiring authority in writing that they intend to proceed or serve a blight notice requiring the authority to buy the property.
- D make a conditional offer for the alternative property subject to service of notice to treat.


**Question 4 of 5**

Compensation is finally agreed at £550,000 for the freehold interest. What will be the amount of Home Loss Payment payable to the owner occupier?

- A £5,300
- B £53,000
- C £55,000
- D £75,000


**Question 5 of 5**

The road goes ahead and the route runs about 150 metres away. Compensation will be payable for any reduction in value due to the use of the works under Part I of the Land Compensation Act 1973. Why might the amount payable be less than the actual reduction in market value?

- A The compensation must be based on the market value at the end of the claim period by which time values may have fallen.
- B It is notoriously difficult to prove the fall in value in such cases and acquiring authorities often underestimate the impact of these schemes.
- C Only the 'physical factors' can be taken into account. This would for example exclude any impact on the view.
- D The use of the new road will be subject to increasing levels of traffic over time and so the impact will continue to worsen.


**Scenario 5**

Your client owns a large number of freehold ground rents on an estate of mainly semi detached houses located on the edge of a large town, built between the wars. They are typically let on low ground rents of about £5 per annum and the original 125 year leases have between 30 and 40 years left to run. You have been instructed to carry out a formal valuation for Inheritance Tax (IhT) purposes.

**Question 1 of 5**

In carrying out formal valuations for specific purposes such as taxation, why is it important to ensure that site notes are clear and comparables properly analysed?

- A The client may want the valuation to be as low as possible
- B The valuation might be challenged and you may be called as an expert witness in court.
- C You need to be able to 'slant' the valuation to suit your client's needs and it is important you are able to defend your opinion.
- D The valuation will be based on market value and this must be supported by evidence.




**Question 2 of 5**

For the purpose of the Leasehold Reform Act 1967 how is a long lease defined?

- A a lease for more than 21 years when first granted
- B a lease for more than 50 years when first granted
- C a lease for more than 99 years when first granted
- D a lease for more than 125 years when first granted


**Question 3 of 5**

Which of the following is NOT a right granted to qualifying tenants by The Leasehold Reform Act 1967?

- A Enfranchisement
- B Extension of the lease by 50 years
- C Become an assured tenant at the end of the lease
- D Continue to occupy as a protected tenant.


**Question 4 of 5**

Which of the following is NOT a recognised approach to assessing the Modern Ground Rent under the Leasehold Reform Act 1967

- A Cleared site approach
- B 'Pro-rata' method
- C Standing house approach
- D 'New for old' method


**Question 5 of 5**

In carrying out a valuation for Inheritance Tax purposes which of the following is NOT an assumption to be taken into account in arriving at market value?

- A The sale is hypothetical
- B The bid of a 'special buyer' in the market should be ignored.
- C Seller and buyer are deemed to be willing and prudent parties to the transaction.
- D The property is assumed to be offered for sale by whatever method will achieve the best price.


## Unit 6: Building Design and Defects in Residential Estate Agency

### Scenario 1

Property number one is a good sized two-storey, double bay fronted semi-detached house. It is built of brick cavity wall construction beneath a slate roof. It is on a sizable plot with gardens front, side and rear, it has a range of outbuildings including an external toilet. Inside the rooms are large with high ceilings and decorative plasterwork. The focal point is a decorative timber staircase leading to a well appointed second floor.

### Question 1 of 5

The property described is most likely to have been built in which period

- A Post WW1
- B Edwardian
- C Victorian
- D Georgian


### Question 2 of 5

Minimum foundation depths required by the building regulations are mostly there to counter:

- A Ground water rises
- B Frost heave
- C Shrinkable clays
- D Tree root action


### Question 3 of 5

Unlike a Georgian house, a Victorian house is likely to have:

- A Outside water closet
- B Street frontage
- C Symmetrical designs
- D Sash windows


### Question 4 of 5

Water is best prevented from penetrating the roof around the base of a chimney stack by installing:

- A Lead Soakers.
- B Lead Flashing.
- C Lead Flashing and Lead Soakers.
- D Cement Fillet.


**Question 5 of 5**

Early efforts at preventing rising damp mostly involved the use of:

- A Code 8 Lead Sheet.
- B Welsh Slate.
- C Sacrificial Lime Mortar.
- D Engineering Bricks.


**Scenario 2**

You are selling a 1930s built semi-detached ex council house for the executors of the deceased owner who had lived in the property for 50 years. The accommodation requires modernisation. The house has a long rear garden.

**Question 1 of 5**

Which of the following drainage provisions is most likely to be present?

- A A septic tank in the rear garden.
- B Combined foul and surface water clay pipe work to main sewer.
- C Separate foul and surface water plastic drains.
- D Surface water to soakaways and foul drains to cess pit.


**Question 2 of 5**

The house has very basic sanitary fittings on the ground floor. Which of the following above ground systems is most likely to be installed?

- A A single stack system
- B Two stack system
- C Mixed single and two stack system,
- D Float operated pumped system


**Question 3 of 5**

Potential buyers have indicated they will be installing a sealed gas fired hot water and central heating system. Which of the following will need to be fitted with such a system?

- A A feed system
- B An expansion tank
- C A combined expansion and feed tank
- D An expansion vessel


**Question 4 of 5**

An electrical inspection has established the installation is old and requires upgrading. Which of the following features would have indicated this?

- A Wired fuses
- B MCB'S
- C ELCB's
- D Earth bonding to the water pipe under the sink


**Question 5 of 5**

When a new hot water and central heating system is installed, which of the following will be required by current regulations?

- A A combi boiler
- B A condensing boiler
- C A sealed mains feed system
- D A combination/ **accumulator boiler**


**Scenario 3**

A client with a flat roofed property occupying a 2-acre plot in a sheltered location surrounded by trees has asked for your advice on improving energy efficiency and fire safety.

**Question 1 of 5**

Which of the following improvements would have the most beneficial effect on the energy efficiency of the property?

- A New condensing boiler.
- B Roof insulation.
- C Draught proofing.
- D Double glazing.


**Question 2 of 5**

What type of energy assessment is required for newly built properties?

- A RdSAP.
- B SAP.
- C Streamline SAP.
- D Green Deal survey.


**Question 3 of 5**

Which renewable energy technology would be most appropriate for this property?

- A Solar panels.
- B Photovoltaic panels.
- C Wind turbine.
- D Ground source heat pump.


**Question 4 of 5**

Which of the following is likely to be most effective in saving lives in the event of a fire?

- A Fire extinguisher.
- B Fire alarm.
- C Smoke alarm.
- D Fire blanket.


**Question 5 of 5**

Which of the following parts of a property is least likely to require fire regulation considerations?

- A Basement.
- B Loft conversion.
- C Attached garage.
- D Ground floor extension.


**Scenario 4**

A listed former industrial building in a conservation area adjacent to a river that is prone to flooding has potential to be converted into prestigious apartments. Your developer client is considering buying the site and has asked for your advice.

**Question 1 of 5**

Demolition of part of the building is proposed, consent under which section of what Act is required to do this?

- A Section 55 (1A), Town and Country Planning Act 1990.
- B Section 9, Town and Country Planning Act 1990
- C Section 55 (1A), Listed Buildings and Conservation Areas Act 1990.
- D Section 9, Listed Buildings and Conservation Areas Act 1990.


**Question 2 of 5**

What changes to residential properties are permitted under the General Permitted Development Order?

- A Porches, small extensions, conversion of loft spaces or cellars to living accommodation.
- B Porches within 2 metres of the boundary, extensions in excess of 10% of the cubic capacity of the house, loft conversions in excess of 40m<sup>3</sup>.
- C Porches higher than 3 metres, extensions closer than 20m from the highway, fences in excess of 2m height.
- D Porches greater than 3 m<sup>2</sup>, extensions greater in height than the original building, no alteration to the height or shape of the roof.


**Question 3 of 5**

Under what circumstances would change of use not be “development” and not require planning permission?

- A Where it is a permitted development under the Town and Country Planning (General Permitted Development) Order 1995.
- B Where change from one use to another in the same use class is not development.
- C Where change of use is not material.
- D Where it is preserving the building and enhancing the locality.


**Question 4 of 5**

Because it is a large former industrial site, what may need to be carried out?

- A Contaminated Land Survey.
- B Environmental Impact Assessment.
- C Environmental Impact Survey.
- D Contaminated Land Assessment.


**Question 5 of 5**

Because the site is prone to flooding what additional department will consider the planning application?

- A The Water Authority will be automatically consulted.
- B The Rivers Authority will be automatically consulted.
- C The Disasters and Emergency Agency will be automatically consulted.
- D The Environment Agency will be automatically consulted.


**Scenario 5**

You have just completed the appraisal of a vacant property that requires some attention. You propose calling the seller to raise your principal concerns.

**Question 1 of 5**

You believe there may be subsidence. Which of the following would be evidence to support this?

- A The property is on a sloping site close to trees.
- B There is regular horizontal cracking to mortar joints.
- C There is severe vertical cracking in the render above and below window openings and some of the render has fallen off.
- D There is diagonal cracking in the brickwork to two corners of the property.


**Question 2 of 5**

In the rear reception room there is a gap of about 25mm between the solid floor and the skirting boards. A prominent crack also runs across the floor. What is the most likely cause of this?

- A Leaking central heating pipework laid in the floor.
- B Lack of a damp proof membrane in the floor slab.
- C Settlement and compaction of the floor slab.
- D Poor levelling of the floor screed.


**Question 3 of 5**

You had noticed that one room is cold and there was some rot in a floor board, how can you be sure it is dry rot?

- A There is a musty damp smell, there is a leaking radiator above the board, floor is springy.
- B There is a musty damp smell, there is no ventilation beneath the floor, and floor is springy.
- C There is a musty damp smell, water has run down the wall and there is black mould growth on the wall.
- D Water has run down the wall and there is black mould growth on the wall, the floor is springy.


**Question 4 of 5**

The internal face of the external walls are damp at a height over 1 metre; what might this be due to?

- A Rising damp, mortar resting on cavity ties or debris collecting at the base of the cavity wall.
- B Condensation, a lack or defect in the DPC or DPM in the floor.
- C Penetrating damp, mortar resting on cavity ties or debris collecting at the base of the cavity wall.
- D Rising damp, poor heating and ventilation.


**Question 5 of 5**

Why does the cold water storage tank in the loft need to have a close fitting lid?

- A To prevent evaporation during the summer
- B To protect the water from contamination by rodents or birds.
- C To prevent damage due to over flow as a result of sticking ball valves
- D To prevent splash back damaging ceilings below during filling


**END**

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