

Part II (20%): 1 of 2 questions.

Author: Tod McGrath

Professor @MIT Massachusetts Institute of Technology

Published 2014

Create, Share, and Discover Online Quizzes.

QuizOver.com is an intuitive and powerful online quiz creator. [learn more](#)

Join QuizOver.com



How to Analyze Stocks

By Yasser Ibrahim

1 month ago
12 Responses

© iStock: Thomson Moter



Pre Employment English

By Katharina jennifer N

5 months ago
19 Responses

© iStock: Albin



Lean Startup Quiz

By Yasser Ibrahim

2 months ago
16 Responses

© iStock: Gekwotwe Chua

Powered by QuizOver.com

The Leading Online Quiz & Exam Creator

Create, Share and Discover Quizzes & Exams

<http://www.quizover.com>

Disclaimer

All services and content of QuizOver.com are provided under QuizOver.com terms of use on an "as is" basis, without warranty of any kind, either expressed or implied, including, without limitation, warranties that the provided services and content are free of defects, merchantable, fit for a particular purpose or non-infringing.

The entire risk as to the quality and performance of the provided services and content is with you.

In no event shall QuizOver.com be liable for any damages whatsoever arising out of or in connection with the use or performance of the services.

Should any provided services and content prove defective in any respect, you (not the initial developer, author or any other contributor) assume the cost of any necessary servicing, repair or correction.

This disclaimer of warranty constitutes an essential part of these "terms of use".

No use of any services and content of QuizOver.com is authorized hereunder except under this disclaimer.

The detailed and up to date "terms of use" of QuizOver.com can be found under:

<http://www.QuizOver.com/public/termsOfUse.xhtml>

eBook Content License

Geltner, David, and Tod McGrath. 11.431J Real Estate Finance and Investment, Fall 2006. (MIT OpenCourseWare: Massachusetts Institute of Technology), <http://ocw.mit.edu/courses/urban-studies-and-planning/11-431j-real-estate-finance-and-investment-fall-2006> (Accessed 1 May, 2014). License: Creative Commons BY-NC-SA

Creative Commons License

Attribution-NonCommercial-ShareAlike 3.0 Unported (CC BY-NC-SA 3.0)

<http://creativecommons.org/licenses/by-nc-sa/3.0/>

You are free to:

Share: copy and redistribute the material in any medium or format

Adapt: remix, transform, and build upon the material

The licensor cannot revoke these freedoms as long as you follow the license terms.

Under the following terms:

Attribution: You must give appropriate credit, provide a link to the license, and indicate if changes were made. You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use.

NonCommercial: You may not use the material for commercial purposes.

ShareAlike: If you remix, transform, or build upon the material, you must distribute your contributions under the same license as the original.

No additional restrictions: You may not apply legal terms or technological measures that legally restrict others from doing anything the license permits.

Table of Contents

Quiz Permalink: <http://www.quizover.com/question/part-ii-20-1-of-2-questions-by-prof-tod-mcgrath-mit-massachusetts>

Author Profile: <http://www.quizover.com/user/profile/tod.mcgrath>

1. Part II (20%): 1 of 2 questions.

4. Chapter: Part II (20%): 1 of 2 questions.

1. Part II (20%): 1 of 2 questions. Questions

4.1.1. Suppose you own a vacant but developable land parcel on the outskir...

Author: Tod McGrath

Answer either one of the questions below, or diversify your portfolio by answering both.

If you answer both, we will grade both and assign each question half of the 20% for this part.

If you answer only one, that one you answer will get the full 20%.

Please be sure it is clear to us which question(s) you want to be graded.

If the TA cannot figure it out on her own, she will grade both.

This land produces no income but owes 2% of its value per year in property taxes.

Meanwhile, typical income properties are yielding 9% (that is, they have a current cash yield, or "cap rate", of 9%).

If inflation is expected to be around 3% per year, and you expect your land will appreciate at 10% per year, what should you do with this land parcel? (Be specific and please explain why you should do what you say.)

Suppose you own a vacant but developable land parcel on the outskirts of the metropolitan area.

Check the answer of this question online at QuizOver.com:

Question: [Suppose you own a vacant but developable Answer either one of the](#)

Flashcards:

<http://www.quizover.com/flashcards/suppose-you-own-a-vacant-but-developable-answer-either-one-of-the?pdf=3044>

Interactive Question:

<http://www.quizover.com/question/suppose-you-own-a-vacant-but-developable-answer-either-one-of-the?pdf=3044>

4.1.2. Fully explain and clarify the following statement:

Author: Tod McGrath

Answer either one of the questions below, or diversify your portfolio by answering both.

If you answer both, we will grade both and assign each question half of the 20% for this part.

If you answer only one, that one you answer will get the full 20%.

Please be sure it is clear to us which question(s) you want to be graded.

If the TA cannot figure it out on her own, she will grade both.

"There are two types of tax shields available to investors in property equity: depreciation tax shields (DTS) and interest tax shields (ITS),

but only one of these types of tax shields generally adds to the investment value of the investment no matter what the investor's marginal tax rate."

Fully explain and clarify the following statement:

Check the answer of this question online at QuizOver.com:

Question: [Fully explain and clarify the following Answer either one of questions](#)

Flashcards:

<http://www.quizover.com/flashcards/fully-explain-and-clarify-the-following-answer-either-one-of-questions?pdf=3044>

Interactive Question:

<http://www.quizover.com/question/fully-explain-and-clarify-the-following-answer-either-one-of-questions?pdf=3044>

4.1.3. As part of your answer, quantify the NPV to two different borrowers...

Author: Tod McGrath

Answer either one of the questions below, or diversify your portfolio by answering both.

If you answer both, we will grade both and assign each question half of the 20% for this part.

If you answer only one, that one you answer will get the full 20%.

Please be sure it is clear to us which question(s) you want to be graded.

If the TA cannot figure it out on her own, she will grade both.

loan of \$1,000,000 at 6% interest when the market yield on corporate bonds is 6% and on otherwise identical municipal

bonds is 4%, and Borrower A faces a marginal tax rate of 30% while Borrower B faces a marginal tax rate of 35%.

As part of your answer, quantify the NPV to two different borrowers, from an after-tax investment value perspective, of a perpetual

Check the answer of this question online at QuizOver.com:

Question: [As part of your answer quantify the NPV either one questions below](#)

Flashcards:

<http://www.quizover.com/flashcards/as-part-of-your-answer-quantify-the-npv-either-one-questions-below?pdf=3044>

Interactive Question:

<http://www.quizover.com/question/as-part-of-your-answer-quantify-the-npv-either-one-questions-below?pdf=3044>

4.1.4. Also, compare the NPV to Borrower B to the PV of the that borrower'...

Author: Tod McGrath

Answer either one of the questions below, or diversify your portfolio by answering both.

If you answer both, we will grade both and assign each question half of the 20% for this part.

If you answer only one, that one you answer will get the full 20%.

Please be sure it is clear to us which question(s) you want to be graded.

If the TA cannot figure it out on her own, she will grade both.

(the PV of the borrower's tax deductions associated with the loan).

Also, compare the NPV to Borrower B to the PV of the that borrower's interest tax shields

Check the answer of this question online at QuizOver.com:

Question: [Also compare the NPV to Borrower B to the Answer either one of questions](#)

Flashcards:

<http://www.quizover.com/flashcards/also-compare-the-npv-to-borrower-b-to-the-answer-either-one-of-questio?pdf=3044>

Interactive Question:

<http://www.quizover.com/question/also-compare-the-npv-to-borrower-b-to-the-answer-either-one-of-questio?pdf=3044>