Exam 4: Invigilated Theory Exam

Humber College PREX-1060A

Version Demo

Total Demo Questions: 13

Total Premium Questions: 136

Buy Premium PDF

QUESTION NO: 1

A buyer wants to purchase a former furniture store and convert it into a full-service restaurant. The buyer is concerned that the proposed use may require more parking, a different zoning permission, and municipal approvals. Which condition would provide the most appropriate protection for the buyer?

A. A condition permitting the buyer to confirm that the proposed restaurant use is permitted and required approvals can be obtained.

B. A condition requiring the seller to guarantee that restaurant sales will exceed the former store's sales.

C. A condition allowing the buyer to inspect the former tenant's furniture inventory.

D. A condition requiring the seller to obtain a new mortgage for the buyer.

ANSWER: A

Explanation:

A condition permitting the buyer to investigate, at the buyer's expense and satisfaction, whether the proposed restaurant use is permitted and whether all required approvals can be obtained is the most appropriate protection. The buyer's intended use, rather than the former furniture-store use, must be assessed.

Zoning, parking requirements, site-plan matters, building permits, and other municipal approvals may affect whether the restaurant can lawfully operate as planned. A financing condition does not address this land-use risk, and a general building inspection would not confirm that the proposed use is permitted. The condition should provide sufficient time for the buyer to obtain reliable municipal and professional advice before becoming firmly bound to complete the purchase.

QUESTION NO: 2

A seller provides you with architectural drawings of their building. Which statement is NOT correct?

A. Architectural drawings are source documents.

B. A photocopy of a source document can be used to verify information.

C. If changes are made to source documents, they are still valid if you have the original document.

D. Other types of source documents include surveys and tax records.

ANSWER: C

Explanation:

“If changes are made to source documents, they are still valid if you have the original document.” is the statement that is not correct. An original architectural drawing is a useful source document because it can help establish information about a property’s design, layout, dimensions, or intended construction. However, possessing the original does not automatically make information reliable after it has been changed. A registrant should identify whether markings or revisions are authorized, determine which version is current, and obtain appropriate confirmation of material details before relying on them or communicating them to a client. For architectural material, this commonly means checking revision dates, revision clouds, professional seals where applicable, and whether the drawing reflects completed work rather than a preliminary or proposed design. This approach supports the duty to exercise reasonable care and diligence and to avoid making representations without a reasonable basis. Ontario’s Trust in Real Estate Services Act requires registrants to act with reasonable care and skill and in the best interests of their clients; see the Trust in Real Estate Services Act, 2002. Guidance on professional architectural practice and the significance of authenticated documents is also available from the Ontario Association of Architects.

QUESTION NO: 3

A buyer should consider the record of site condition (RSC) document when purchasing a commercial property. Which of the following statements regarding an RSC is correct?

A. Requesting an RSC is mandatory in all real estate transactions.

B. It is not a material fact; thus, it is a formality for the buyer to get it.

C. With other documents, it will inform the buyer of any legal issues attached to the title.

D. It contains records pertaining to a property's financial condition.

ANSWER: C

Explanation:

With other documents, it will inform the buyer of any legal issues attached to the title. An Ontario Record of Site Condition is an environmental document that is filed in the Environmental Site Registry after prescribed environmental assessment work has been completed for a property. It records information about the site, including its current and historical uses, the environmental site assessment process, and whether contaminants satisfy applicable site-condition standards. This information is important in a commercial purchase because environmental contamination can create substantial cleanup obligations, restrict intended redevelopment, affect financing and insurance, and influence the buyer's assessment of risks associated with the property. An RSC should therefore be reviewed as part of broader legal and due-diligence work, alongside title searches, municipal records, agreements, environmental reports, and other property documents. The RSC itself is not a substitute for title investigation, but it can reveal environmental matters that are highly relevant to the buyer's legal and commercial position and may relate to registered instruments, environmental orders, or site-specific obligations. Ontario's Environmental Site Registry provides public access to filed RSC information, while the governing regulation sets out the filing and assessment framework. See the Ontario Environmental Site Registry and Ontario Regulation 153/04.

QUESTION NO: 4

All of the following aspects of a commercial property may affect its eligibility for Leadership in Energy and Environmental Design (LEED) certification, EXCEPT:

A. Energy efficiency

B. Innovative elements

C. Sustainability

D. Vacancy rate

ANSWER: D

Explanation:

Vacancy rate is the correct exception because it is not a standalone LEED certification prerequisite or credit category. LEED evaluates a project's environmental performance through defined requirements and point-based credits, such as integrative planning, location and transportation, sustainable sites, water efficiency, energy and atmosphere, materials and resources, indoor environmental quality, and innovation. The certification decision is based on whether the project satisfies applicable prerequisites and earns enough points within the selected LEED rating system, rather than on its commercial occupancy level.

A property's vacancy rate may be relevant to an owner's financial planning or can affect how some operational data are interpreted in a particular building-performance context, but it does not itself establish LEED eligibility. By contrast, energy performance and sustainability-related design and operating measures are central to LEED's purpose and scoring framework. LEED also recognizes exceptional or novel strategies through Innovation credits when they achieve meaningful environmental performance benefits or address sustainability issues beyond standard credit requirements. The U.S. Green Building Council describes LEED as a framework for healthy, efficient, carbon- and cost-saving green buildings, and its credit libraries identify the applicable prerequisites and credits for each rating system. See the U.S. Green Building Council's LEED overview and the LEED credit library.

QUESTION NO: 5

While preparing to list a vacant retail site that allows new auto sales, the salesperson sees that there is an auto repair garage business next door with old and rusting metal storage tanks at the side of their building. Which of the following is the correct action for the salesperson to take?

A. The salesperson should attempt to identify signs of contamination on the property and recommend an appropriate third-party expert to the seller client.

B. The salesperson should include the information in the marketing material as it would be beneficial for an auto sales business to have a garage located nearby.

C. The salesperson should ask the owner of the garage for more information and what course of action they recommend to assist a future purchaser of the site.

D. The salesperson should ask the owner of the garage whether they have thought about selling their property at this time.

ANSWER: A

Explanation:

The salesperson should attempt to identify signs of contamination on the property and recommend an appropriate third-party expert to the seller client. Old, rusting metal tanks beside an auto-repair operation are a potential indicator of environmental risk, including possible releases of fuel, oil, solvents, or other hazardous materials. Although a registrant is not expected to diagnose contamination or conduct an environmental assessment, the observation should prompt appropriate due diligence and professional advice. In particular, the seller needs to understand that a neighbouring property's environmental condition may affect the marketability, intended use, financing, and value of the retail site. Recommending a qualified third party, such as an environmental consultant, helps ensure that the concern is assessed within the expert's professional scope and that the seller can make informed decisions about disclosure, marketing, and any further investigation. This approach is consistent with a registrant's obligation to exercise reasonable care and skill while protecting and promoting the client's best interests. Ontario's real-estate regulatory framework requires registrants to act with honesty, integrity, and reasonable care; see the Code of Ethics regulation. Ontario also provides information on environmental site assessments and related due diligence through the Ontario environmental site assessment guidance.

QUESTION NO: 6

A buyer client is interested in purchasing an industrial property for their manufacturing business. The buyer's salesperson informs them of the building criteria, along with the minimum requirements for clear height and clear span that would be suitable for the buyer's business. What should the salesperson explain to the buyer regarding clear span?

A. The salesperson should explain that clear span refers to the amount of floor area that is clear of interference from columns and walls.

B. The salesperson should explain that clear span refers to the unobstructed vertical distance from the floor to the bottom of the lowest ceiling or roof component.

C. The salesperson should explain that clear span refers to the unobstructed vertical distance from the floor to the bottom of the highest point of the ceiling or roof component.

D. The salesperson should explain that clear span refers to the total amount of floor area in the space, including the space that is occupied between columns and walls.

ANSWER: A

Explanation:

The salesperson should explain that clear span refers to the amount of floor area that is clear of interference from columns and walls. In an industrial building, clear span describes the unobstructed horizontal space within the structure—the area available between structural supports rather than the building's vertical dimension. This is a significant requirement for a manufacturing buyer because the usable layout of production lines, machinery, material handling equipment, racking, and vehicle movement can depend on having a wide, open floor plate without interior columns or walls interrupting operations. A buyer may require a particular clear span so that equipment can be positioned efficiently, workflows can remain continuous, and the space can accommodate future operational changes. The salesperson should identify this requirement during the needs analysis and help the buyer assess whether a prospective property's structural layout supports the intended use.

Clear span is therefore a practical measure of usable, obstruction-free interior floor space, not a measure of ceiling height. The Building Owners and Managers Association discusses industrial-property characteristics and terminology in its real-estate glossary; related industrial-building design guidance is also available from the Whole Building Design Guide.

QUESTION NO: 7

A buyer client is discussing zoning bylaws of the municipality in relation to an industrial development site with their salesperson. Which of the following is NOT a correct statement with respect to zoning bylaws?

A. Zoning bylaws specify the permitted land uses throughout a municipality.

B. Municipal zoning bylaws overrule all other laws with respect to land uses and issuance of building permits in Ontario.

C. New commercial construction and redevelopment must comply with zoning bylaws.

D. Municipalities have zoning bylaws that divide the city into different land uses or zones.

ANSWER: B

Explanation:

“Municipal zoning bylaws overrule all other laws with respect to land uses and issuance of building permits in Ontario” is the statement that is not correct. A zoning bylaw is an important municipal land-use control, enacted under authority granted by Ontario’s *Planning Act*, but it does not supersede every other applicable legal requirement. Zoning regulates such matters as permitted uses, building locations, lot coverage, setbacks, height, and parking standards within defined zones. Development proposals and building-permit applications must also meet applicable provincial legislation, regulations, approvals, and technical requirements. For example, Ontario’s Building Code framework governs construction standards and applies to building permits; a municipality cannot issue a permit unless the proposed work complies with the Building Code Act, the Building Code, and other applicable law. In addition, site-specific requirements may arise under environmental, conservation-authority, heritage, fire-safety, or other statutes and approvals. Accordingly, zoning compliance is necessary for a proposed industrial development, but it is only one component of the broader legal and approval framework governing land use and construction. Ontario explains municipal zoning authority under the Citizen’s guide to land use planning: zoning bylaws and building-permit requirements under the Building Code Act, 1992.

QUESTION NO: 8

A salesperson is representing a commercial tenant client who is interested in leasing a property for their business. The salesperson and their client are inspecting a property that includes a few accessory buildings. This is ideal for the tenant, as the accessory buildings can serve as storage for their business. The tenant asks their salesperson to find out the measurements of the accessory buildings. Why is it important for the tenant to know the total area of the accessory buildings included on the property?

A. It is important for the tenant to know the total area of the accessory buildings as they will have to share the use of them with other tenants.

B. It is important for the tenant to know the total area of the accessory buildings as it will be considered within the tenant’s usable area.

C. It is important for the tenant to know the total area of the accessory buildings as it will contribute to their rentable area.

D. It is important for the tenant to know the total area of the accessory buildings as it will be deducted from their rentable area.

ANSWER: C

Explanation:

It is important for the tenant to know the total area of the accessory buildings as it will contribute to their rentable area. In a commercial lease, rentable area is the area used to establish the space for which a tenant is charged under the lease. Where accessory buildings are included for the tenant’s use—for example, as dedicated storage—they form part of the premises being provided to that tenant and must be identified and measured accurately. Their area can affect the total rentable area stated in the lease, which in turn may affect base rent when rent is quoted on a per-square-foot basis, as well as the tenant's share of operating costs or taxes where those amounts are allocated by area. Accurate measurements also allow the tenant to confirm that the leased premises match its operational requirements and that the lease clearly describes all space included in the tenancy. Commercial-area measurement practices distinguish rentable area from other measurement concepts and require parties to understand the measurement basis used in the lease. The Building Owners and Managers Association provides information on commercial real-estate measurement standards at BOMA International Standards. Ontario's commercial-tenancy framework is set out in the Commercial Tenancies Act.

QUESTION NO: 9

A salesperson is drafting an offer and discussing with the buyer the steps required for due diligencewhen purchasing a commercial condominium unit. All of the steps below are included in due diligence, EXCEPT:

A. Create a business plan

B. Gather, organize, and verify all pertinent information

C. Identify third-party professionals

D. Estimate time frames required for due diligence and other offer conditions

ANSWER: A

Explanation:

Create a business plan is the correct exception. A business plan is a purchaser's broader strategic document: it may set out the intended business activity, projected revenue and expenses, financing approach, marketing, staffing, and operating goals. Although a buyer may choose to prepare one before committing to a commercial condominium purchase, creating it is not a due-diligence step that a salesperson would ordinarily identify as part of investigating the particular property and transaction.

Due diligence in a commercial purchase is the organized process of obtaining and evaluating material information so the buyer can make an informed decision and satisfy conditions in an offer. For a commercial condominium unit, this commonly involves coordinating appropriate professional review and allowing sufficient time to investigate property, financial, legal, zoning, condominium-corporation, and other relevant matters. Ontario condominium purchasers may also have statutory information rights, including the status-certificate process described by the Condominium Act, 1998. More broadly, the importance of verifying information before a commercial real-estate transaction is consistent with the professional guidance in the RECO Registrar's Standards of Practice.

QUESTION NO: 10

A tenant client is considering a net lease for office space in a multi-tenant building. The proposed lease requires the tenant to pay its proportionate share of operating costs as additional rent. The tenant is concerned that the landlords annual operating-cost estimate may be higher than the actual costs incurred. Which lease provision would best address this concern?

A. A clause requiring annual operating-cost reconciliation statements and access to supporting records

B. A clause fixing the base rent for the full lease term

C. An option allowing the tenant to renew the lease at market rent

D. A clause requiring the landlord to use only one approved maintenance contractor

ANSWER: A

Explanation:

A provision requiring the landlord to provide annual operating-cost statements and allowing the tenant to review supporting records is the best answer. In a net lease, additional rent is commonly estimated during the year and later reconciled against actual expenses. A clear reconciliation and audit or review right allows the tenant to understand how its proportionate share was calculated and to identify any material error or charge not permitted by the lease.

A fixed base-rent clause does not verify additional rent, and a renewal option addresses the future term rather than expense recovery. Requiring the landlord to use one particular contractor does not provide the tenant with a meaningful ability to assess all operating-cost charges.

QUESTION NO: 11

The key mechanical components of commercial buildings include heating, cooling, and electrical systems. Which of the following tasks is NOT usually completed by the salesperson?

A. Ensuring inspections are being carried out as required

B. Contacting contractors for quotes for repairing or replacing equipment

C. Reviewing whether the technical components have been recently replaced or upgraded

D. Learning what types of equipment are in the building and having a general understanding of their age and condition

ANSWER: B

Explanation:

Contacting contractors for quotes for repairing or replacing equipment is not usually a salesperson's responsibility. Obtaining repair or replacement quotations is an operational, maintenance, or asset-management task normally initiated by the owner, property manager, facility manager, or a suitably qualified contractor. It requires defining the repair scope, arranging site access, comparing technical specifications and pricing, and deciding whether to authorize the work. A salesperson may alert a client to an apparent concern, recommend that the client obtain appropriate professional advice, or help communicate available building information. However, the salesperson should not take on the role of diagnosing equipment condition, specifying remedial work, or managing the contractor-quotation process as though they were a technical building professional.

In a commercial transaction, the salesperson's relevant role is to develop enough general familiarity with the property to market it responsibly, seek and communicate material information, and encourage appropriate inspections and expert review where needed. Ontario's real-estate regulatory framework requires registrants to act with honesty, integrity, and competence, while recognizing the importance of working within their competence and directing clients to qualified assistance when appropriate. See the RECO Code of Ethics and RECO registrant resources.

QUESTION NO: 12

A salesperson, who is representing a tenant, has completed a comparative market analysis (CMA) of the management fees charged, assessed on a square footage basis, at the different office buildings that their client is interested in leasing. The management fees vary across the comparable office buildings, and the tenant is interested to know why there is a difference. Which of the following is an accurate statement the salesperson can make about the difference in management fees between the buildings?

A. The salesperson should tell their client that higher management fees charged for a building always indicates that the tenant is getting superior service and value.

B. The salesperson should explain that a tenant occupying a smaller rentable area in a building pays higher management fees per square foot compared to a tenant with an average or larger rentable area.

C. The salesperson should identify the reasons for high management fees charged for a building and determine the relative value it provides.

D. The salesperson should tell the tenant that the Condominium Authority of Ontario regulates management fees charged by buildings as per their size.

ANSWER: C

Explanation:

The salesperson should identify the reasons for high management fees charged for a building and determine the relative value it provides. Management fees are not meaningful as an isolated per-square-foot figure: they must be assessed in the context of the services, facilities, staffing, administration, maintenance standards, and other property-management functions included in the charge. For a tenant choosing among office properties, the relevant professional analysis compares both the amount charged and what the tenant receives for that amount. A higher fee may reflect a building with more extensive management services, enhanced amenities, more complex operations, or a higher service standard, but its value depends on whether those features are actually provided and are useful to the tenant. This approach supports informed decision-making and is consistent with a registrant's obligation to provide conscientious and competent service when representing a client. The salesperson should review the applicable lease documentation, operating-cost or additional-rent definitions, and available building information to establish what accounts for the fee and how it compares with competing properties. Ontario's RECO legislation and rules resources describe registrants' regulatory framework, while BOMA's operating expense resources provide useful commercial-property context for evaluating building operating and management costs.

QUESTION NO: 13

A salesperson is helping a buyer client to purchase a piece of vacant land to develop in the future. The salesperson recommends that the buyer consult with a third-party professional because the salesperson cannot provide the service with reasonable knowledge, skill, judgment, and competence. Which of the following is NOT a professional the salesperson would likely recommend to the buyer?

A. A consultant in a financial institution

B. A zoning specialist in the city's planning department

C. An appraiser with Accredited Appraiser Canadian Institute (AACI) designation

D. A legal consultant who specializes in evicting residential tenants

ANSWER: D

Explanation:

A legal consultant who specializes in evicting residential tenants is the professional the salesperson would not likely recommend for this vacant-land purchase. The buyer's stated purpose is future development, so the relevant professional advice must relate to matters that can affect the land's suitability, value, financing, permitted use, or development potential. Residential-tenancy eviction expertise addresses disputes involving occupied rental premises and the legal process for removing tenants; it does not ordinarily assist a buyer in evaluating or planning the future development of vacant land. A registrant must recognize the limits of their own expertise and take reasonable steps to ensure a client receives appropriate professional assistance when specialized advice is required. Referring the buyer to a professional whose expertise is unrelated to the transaction's actual risks and objectives would not meet that purpose. Ontario's registrant conduct rules establish the expectation that services be provided with reasonable knowledge, skill, judgment, and competence; this includes recognizing when outside expertise is needed. See the Ontario Code of Ethics regulation. For development-related land-use considerations, Ontario's Planning Act provides the legislative framework for municipal planning and land-use controls.