



AI1144 Fundamentals of Residential Real Estate Finance 7.5 credits

Fastighetsfinansiering och investering

This is a translation of the Swedish, legally binding, course syllabus.

If the course is discontinued, students may request to be examined during the following two academic years

Establishment

Course syllabus for AI1144 valid from Autumn 2013

Grading scale

A, B, C, D, E, FX, F

Education cycle

First cycle

Main field of study

Built Environment, Technology

Specific prerequisites

Economics (AI1107) or Economics of the Built Environment (AI1128) or equivalent.

Language of instruction

The language of instruction is specified in the course offering information in the course catalogue.

Intended learning outcomes

The student should be able to:

- Describe different alternatives to finance and invest in residential property (apartments, single-family homes and income properties).
- Describe the actors and functions of the financial system.
- Analyze the economic consequences of the use of various financial solutions to fund the purchase of residential properties.
- Explain different factors, and how these factors, can determine the development of short and long market interest rates, and how changes in interest rates might affect the valuation of loans.
- Discuss different theories that might explain the shape of the yield curve.
- Describe common financial instruments in the market for residential finance and investments.
- Discuss different factors that might affect borrowers choice of variable or fixed interest rates.
- Identify and analyze various types of loan-related risks in the housing market, and how the various risks can be managed.
- Interpret and key concepts presented in the banks / financial reports bostadslåneinstituts.

The student will also be able to:

- Write a report (group work: the assignment / project work) that summarizes both academic, business and professional literature on various topics related to housing.
- Together with other students (group work) and to document in writing and orally present their work, with good structure, formality and language.

Course contents

The financial system - functions and actors, financial instruments in the market for home loans, short- and long-term interest rates, loans with fixed and variable rates, interest rate margins, Yield Curve, Financial analysis of debt-financed residential property investments, tax implications of various financing options, credit risk, interest rate risks; YTM, Capital adequacy, regulation of financial markets, house prices and credit markets, Real estate funds.

Course literature

Mishkin, F.S, Matthews, K. and Giulidori (latest edition), The Economics of Money, Banking and Financial Markets: European edition. Pearson.

Boken ska även användas i kursen Kapitalmarknader och finansiella instrument AI1134.

Faktadokument (laddas ner gratis):

- Banker i Sverige 20XX Bankföreningen .pdf (Uppdateras årligen, senaste versionen).
- Finansmarknaden i Sverige 20XX Riksbanken.pdf (Valda avsnitt; uppdateras årligen, senaste versionen).

Föreläsningsnoter och dokument med räkneövningar (laddas ner gratis från Bilda).

Litteratur till inlämningsuppgift/projektuppgift:

- Artiklar publicerade i akademiska tidskrifter (laddas ner gratis från KTH biblioteket).
- Andra fritt tillgängliga artiklar.

Examination

- INL1 - Assignment, 3.5 credits, grading scale: P, F
- TEN1 - Examination, 4.0 credits, grading scale: A, B, C, D, E, FX, F

Based on recommendation from KTH's coordinator for disabilities, the examiner will decide how to adapt an examination for students with documented disability.

The examiner may apply another examination format when re-examining individual students.

Other requirements for final grade

Coursework 3,5 credits (INL1)

Written exam 4 credits (TEN1)

Ethical approach

- All members of a group are responsible for the group's work.
- In any assessment, every student shall honestly disclose any help received and sources used.
- In an oral assessment, every student shall be able to present and answer questions about the entire assignment and solution.