



# 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 2016

## 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:

- Analyze real estate investments with different financing alternative.
- Describe different alternatives to finance and invest in real estate.
- 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.
- 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.

The student will also be able to:

Write a report (group work: the assignment / project work) that summarizes academic, business and professional literature on various topics related to real estate investments and financing or real estate investments

- 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 property investments, tax implications of various financing options, credit risk, interest rate risks; Cap rates; YTM, Capital adequacy requirements, regulation of financial markets, house prices and credit markets, Real estate funds.

## Course literature

Mishkin, F.S, (latest edition), The Economics of Money, Banking and Financial Markets: Global edition. Pearson.

The book will also be used in Capital Markets and Financial Instruments, AI1134.

Reports, lecture notes and other documents that are free to download.

## 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.