



APPLIES TO ACADEMIC YEAR 2011/2012

ELE 3736 Real Estate Finance

Programme

Elective

Responsible for the course

Knut Sagmo

Department

Department of Financial Economics

Term

According to study plan

ECTS Credits

7,5

Language of instruction

English

Introduction

Everybody are exposed to questions related to real estate because we all need a place to live. The main topics of Real Estate Finance typically focus on the valuation and financing of different types of real estate properties ranging from residential (private) homes to commercial investments. Large investment banks' securitization of real estate mortgages has turned the securities tradeable around the world.

Learning outcome

Acquired knowledge

Upon completion of the course, students are required to master tasks such as:

- calculating present values and internal rates of various cash flow streams
- value fixed rate and floating rate debt securities
- residential break-even analysis
- valuation and financing of commercial real estate
- portfolio analysis and risk adjusted rates of return for commercial real estate

Acquired skills

Students having completed the course are required to master tasks such as:

- estimating required rates of return on various types of real-estate investments
- structure the financing suited to the various types of real-estate investments
- demonstrate how interest rate derivatives accommodate and/or modifies initial exposure and risk

Reflection

Upon completion of the course, students are expected to demonstrate attitudes compatible manifests themselves as behaviour characterised by an uncompromising integrity towards clients and authorities and strict focus on accuracy and the particular details of every transaction executed on behalf of clients.

Prerequisites

BØK 3411 Finance and Managerial Accounting I or BØK 1113 Managerial Accounting and BØK 3421 Finance and Managerial Accounting II or BØK 1121 Finance or equivalent.

Compulsory reading

Books:

Brueggeman, William B., Jeffrey D. Fisher. 2011. Real estate finance and investments. 14th ed. McGraw-Hill/Irwin

Recommended reading

Course outline

1. Introduction to real estate economics
2. Present value mathematics of real estate
3. Measuring investment performance
4. Real-estate valuation and investment analysis at the micro-level
5. Real-estate investment analysis and the use of leverage
6. Real estate development, land value and options

Computer-based tools

Excel spreadsheets and basic statistical software.

Learning process and workload

The course consists of 36 lecture hours plus 9 hours of instructor-guided problem solving. Allocation of studying-hours are suggested as follows:

Activity	Hours
Attendance in lectures	36
Problem-solving in class	9
Independent reading/preparation for class	120
Mandatory (four) work assignments	16
Final exam preparation	19
Sum	200

During the course there will be given three work assignments at It's learning. More information is provided in class.

Use of hours

36 hours - Lectures

9 hours - Problem-solving in class

45 hours total

Examination

A five hour individual written exam concludes the course.

Examination code(s)

ELE 37361 Written exam counts 100% towards the final grade in ELE 3736 Real Estate Finance, 7,5 ECTS credits.

Examination support materials

No aids allowed except the BI-defined exam calculator TEXAS INSTRUMENTS BA Plus and interest rate tables.

For more information, please visit our web-based Student Handbook at <http://bi.edu/studenthandbook/examaids>

Re-sit examination

Re-sit examination is offered at the next scheduled course.

Additional information