



APPLIES TO ACADEMIC YEAR 2013/2014

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 is exposed to real estate - because we all need a place to live. The main focus of **Real Estate Finance** is the valuation and financing of different types of real estate properties ranging from residential (private) homes to commercial, income-generating investments. Large investment banks' securitization of real estate mortgages has - with various degrees of success - turned the contracts into tradeables in world capital markets.

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, rent-generating, real estate properties
- 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 derivatives may accommodate and/or modify risk-exposure

Reflection

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

Prerequisites

BØK 3411 Finance and Managerial Accounting I, BØK 1113 Managerial Accounting or EXC 3442 Managerial Accounting and BØK 3421 Finance and Managerial Accounting II, BØK 1121 Finance or EXC 3451 Financial Reporting and Analysis or equivalent.

Compulsory reading

Books:

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

Recommended reading

Books:

Geltner, David M ...[et al.]. 2013. Commercial real estate : analysis and Investments. 3rd ed. Cengage Learning. 250

Course outline

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

Computer-based tools

Excel spreadsheets and basic statistical software.

Learning process and workload

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

Activity	Hours
Attendance in class	36
Problem-solving in class	9
Independent reading/preparation for class	120
Three work assignments	9
Final exam preparation	26
Sum	200

During lecture series, **three work assignments**, posted on Its Learning, will be given. **Three Home Assignments** are also given during the lecture series. Further administrative details are provided in class.

Use of hours

36 hours in-class lecturing
9 hours in-class solution of Home Assignments
45 hours total

Examination

A five hour written, individual and closed-book, 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