

SA422: HOUSING ECONOMICS AND FINANCE 2008/2009
Prerequisite Class 6: Investment Decisions and Finance
(Week 7, Thursday 20 November 2008, 9 – 10 in Room E304)

1. Define an interest rate.
2. Why do you have to pay an interest rate for borrowing money?
3. What elements do you need to take into account when determining whether to invest in housing or not?
4. Explain why you should do all investments where the $NPV > 0 @ i$.
5. Explain the relationship between the price of a house and the potential rental income.
6. The rental income of a property into perpetuity is £16,000 p.a. The running costs are £5,000 p.a. What is the price of the property if the interest rates is (i) 5%; (ii) 10%; (iii) if the running costs increase to £10,000 p.a. with interest rates of 5%; (iv) 10%?

Please note:

Week 8, Thursday 27 November 9 a.m.

No prerequisite class. Instead there will be a lecture by Christine Whitehead on Reasons for Government Intervention