

**Level II**  
**Class Problem # 8**  
**Land and Building Capitalization Rates**

You are given the following information:

Discount Rate 9.0%

Mortgage Rate 6.5%

Recapture Rate 2.5%

Effective Tax Rate 1.5%

Nominal Tax Rate \$3.00 per \$100 of  
Assessed Value

Calculate a Land Capitalization Rate.

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Calculate an improvement/building capitalization rate.

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Level II  
Class Problem # 8 Answer  
Land and Building Capitalization Rates

Calculate a Land Capitalization Rate.

Calculate an improvement/building capitalization rate.

Calculate a Land Capitalization Rate.

Discount Rate	9.0%
Plus Effective Tax Rate	1.5%
<b>Land Cap Rate</b>	<b><u>10.5%</u></b>

Calculate an improvement/building capitalization rate.

Discount Rate	9.0%
Plus Effective Tax Rate	1.5%
Plus Recapture Rate	2.5%
<b>Building Cap Rate</b>	<b><u>13.0%</u></b>