

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.

Calculate an improvement/building capitalization rate.

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%
Land Cap Rate	<u>10.5%</u>

Calculate an improvement/building capitalization rate.

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