

Level II
Class Problem # 11
Direct Capitalization and Overall Cap Rate

Use the answers from Problems 7 and 10 and calculate the value of the Gateway Shopping Center using direct capitalization in the income approach to value.

Level II
Class Problem # 11 Answer
Direct Capitalization and Overall Cap Rate

Use the answers from Problems 7 and 10 and calculate the value of the Gateway Shopping Center using direct capitalization in the income approach to value.

Answer from Problem # 7:

The subject property's Net Operating Income (NOI) is: \$ 300,628

Answer from Problem # 10:

The Overall Capitalization Rate (OAR) is: 11.5%

Apply the Direct Capitalization Method IRV Formula

$$V = I/R$$

Net Operating Income/Over All Rate = Market Value

$$\text{\$}300,628/11.5\% = \text{\underline{\underline{\text{\$} 2,614,157}}}$$