

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
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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>