CAPITALIZATION BY BUILT-UP RATE: EXCEL MODEL 2

Model 1

Financing & Investmen	
LOAN TO VALUE RATIO (LVR)	75%
INTEREST RATE	4.25%
TERM (Years)	30
PAYMENTS PER YEAR	12
MORTGAGE CONSTANT	0.059033
EQUITY CAP RATE	6.50%

Cash Flow	
AREA in SF	1
POTENTIAL GROSS INCOME	$20.00
VACANCY RATE	5.0%
EFFECTIVE GROSS INCOME	$19.00
OPERATING EXPENSES	$10.00
NET OPERATING INCOME (NOI)	$9.00

Divided by: OVERALL RATE	6%
CAPITALIZED NET INCOME	**$150**

DERIVATION OF OVERALL CAP RATE: **Model 1**
TECHNIQUE: Simple Band of Investmen

FORMULA	SOURCE OF CAPITAL	PORTION		CASH FLOW RATE		WEIGHTED AVERAGE
M x Rm =	Mortgage Component	75%	x	0.059033	=	0.044275
Plus, (1-M) x Re =	Equity Component	25%	x	0.065000	=	0.016250
Ro =	Overall Capitalization Rat					0.060525
ROUNDED OVERALL CAP RATE						6%