

EXTRACTION OF EQUITY DIVIDEND RATE: EXCEL MODEL 3

Model 1&2

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**

CALCULATION OF EQUITY DIVIDEND RATE: Model 3
 TECHNIQUE: Simple Band of Investmen

FORMULA	SOURCE OF CAPITAL	PORTION	CASH FLOW RATE	WEIGHTED AVERAGE
$M \times R_m =$	Mortgage Component	75%	0.059033	$= 0.044275$
Plus, $(1-M) \times R_e =$	Equity Component	25%	0.065000	0.016250
$R_o =$	Overall Capitalization Rat			0.060525
ROUNDED OVERALL CAP RATE				6%