

# Table of Contents

Foreword .....	v
Introduction .....	vii
<b>Part One—Overview of Rates and Ratios .....</b>	<b>1</b>
<b>Part Two—Rates &amp; Ratios .....</b>	<b>7</b>
Overall Capitalization Rate ( $R_O$ ) .....	8
Property (Overall) Yield Rate ( $Y_O$ ) .....	9
Land Capitalization Rate ( $R_L$ ) .....	10
Land Yield Rate ( $Y_L$ ) .....	11
Building Capitalization Rate ( $R_B$ ) .....	12
Building Yield Rate ( $Y_B$ ) .....	13
Mortgage Capitalization Rate ( $R_M$ ) .....	14
Mortgage Yield Rate ( $Y_M$ ) .....	15
Equity Capitalization Rate ( $R_E$ ) .....	16
Equity Yield Rate ( $Y_E$ ) .....	17
Leased Fee Capitalization Rate ( $R_{LF}$ ) .....	18
Leased Fee Yield Rate ( $Y_{LF}$ ) .....	19
Leasehold Capitalization Rate ( $R_{LH}$ ) .....	20
Leasehold Yield Rate ( $Y_{LH}$ ) .....	21
Sandwich Capitalization Rate ( $R_{SAND}$ ) .....	22
Sandwich Yield Rate ( $Y_{SAND}$ ) .....	23
Subleasehold Capitalization Rate ( $R_{SLH}$ ) .....	24
Subleasehold Yield Rate ( $Y_{SLH}$ ) .....	25
Income Yield Rate ( $Y_{INC}$ ) .....	26
Reversion Yield Rate ( $Y_{REV}$ ) .....	27
Terminal Capitalization Rate ( $R_N$ ) .....	28
Loan-to-Value Ratio (M) .....	29
Debt Coverage Ratio (DCR) .....	30
Land-to-Property Value Ratio (L) .....	31
Building-to-Property Value Ratio (B) .....	32
Operating Expense Ratio (OER) .....	33
Net Income Ratio (NIR) .....	34

<b>Part Three—Rate Extraction Examples</b> .....	35
Example 1: Extracting an $R_O$ from a Sale .....	36
Example 2: Estimating an $R_O$ Using Mortgage-Equity Band-of- Investment Technique .....	36
Example 3: Extracting a $Y_O$ from a Sale .....	37
Example 4: Estimating a $Y_O$ Using Alternative Investments .....	39
Example 5: Demonstrating Error Inherent in the Use of the Band-of-Investment Technique to Estimate a $Y_O$ .....	39
Example 6: Extracting an $R_L$ from Sales Data .....	40
Example 7: Extracting an $R_B$ from Sales Data .....	40
Example 8: Calculating an $R_M$ Based on Mortgage Terms .....	41
Example 9: Extracting an $R_M$ from a Sale .....	41
Example 10: Calculating a $Y_M$ .....	42
Example 11: Extracting an $R_E$ from a Sale .....	42
Example 12: Extracting a $Y_E$ from a Sale .....	43
Example 13: Extracting a $Y_{LF}$ from a Sale .....	44
Example 14: Estimating a $Y_{LF}$ and a $Y_{LH}$ Using $Y_{LF} < Y_O < Y_{LH}$ .....	44
Example 15: Estimating a $Y_{SAND}$ and a $Y_{SLH}$ .....	45
Example 16: Extracting a $Y_{INC}$ from a Sale .....	46
<b>Part Four—Additional Extraction Techniques</b> .....	47
Two-Variable Extraction Technique .....	48
Expansion of the Relationship $Y = R + CR$ .....	50
Expansion of the Property Model Using Stabilized Income .....	53
Expansion of the Ellwood Formula Using Stabilized Income .....	54