

2006 Commercial & Industrial Capitalization Rates

The Johnson County Appraiser's Office commissions a capitalization rate study every two years. Separate studies are prepared for commercial/industrial properties and hotels. The studies are prepared by an outside appraisal firm. The rates shown were developed without deductions, from the income stream, for replacement reserves, tenant improvements or leasing commissions. Had any of these items been allowed in the expenses, the capitalization rates would have been proportionately lower. The rates were extracted directly from sales transactions and checked against other development techniques and other sources for reasonableness. Following is a summary of the rates that were developed:

Hotel/Motel Overall Rates (OARs)

Classification	A	B	C	D	E
Luxury and Full Service OAR	10.00%	12.25%	13.50%	14.00%	15.00%
Limited Service OAR	11.50%	12.50%	13.00%	13.50%	14.00%
Extended Stay OAR	11.25%	12.00%	12.00%	N.A.	N.A.

(Effective Jan. 1, 2006)

Please Note: In estimating an appropriate OAR for properties at the low or high of a classification, the actual range from the recommended mid-point could be from +/- 0.25% to 0.875%.

Commercial/Industrial Overall Rates

Recommended Market Overall Rates (without reserves)

Apartments

	Class A	Class B	Class C	Class D	Class E
Apartments	6.75%	7.75%	9.00%	10.00%	11.00%

Office

	Class A	Class B	Class C	Class D	Class E
Office	8.00%	9.00%	10.00%	11.00%	12.00%

Retail

	Class A	Class B	Class C	Class D	Class E
Single Tenant Retail	7.25%	8.25%	9.25%	10.25%	11.25%
Strip Centers - <100,000 sq. ft.	8.00%	8.50%	9.25%	10.25%	11.25%
Neighborhood Anchored - <100k sq. ft.	7.50%	8.50%	9.25%	10.25%	11.25%
Community Centers – 100k-300k sq. ft.	7.50%	8.50%	9.25%	10.25%	11.25%

Industrial

	Class A	Class B	Class C	Class D	Class E
Bulk Office Warehouse <25% Office Finish	7.75%	8.50%	9.50%	10.00%	11.00%
Research & Development >25% Office Finish	8.50%	9.00%	9.75%	10.75%	11.75%

NOTE: *The estimated OARs could generally range up to +/- .5% for properties at the low/high end of each class. All figures are effective Jan. 1, 2006.*