

BUILDING RESIDUAL METHOD
EXAMPLE

Land value:	135 125
Required return on land:	8% per annum
Expected life of building:	20 years
Required return from building:	12% per annum
Replacement of capital:	8% per annum
Net annual income:	25 000
METHOD	
Net annual income:	25 000
Less return from land: Land value = 8 % * 135 125 =	(10 810)
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Income from building =	14 190
Required return from building: 0.1200 + Sinking fund factor: 0.0219 = 0.1419 (ie 14.19% pa)	
BUILDING VALUE	
Value of building: 14190 * 100/14.19 =	

[See land residual method](#)