



# **Setting capitalisation rate right:**

## **Discussions and decisions of Norwegian Expropriation Courts**

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$$K = i / p$$

**1992: Cap rate (p) reflecting outcome of the source or reinvestment ?**

**Where to reinvest ?**

**1986: Individualized or objective perspective of reinvestment?**



$$K = i / p$$

**1981/92:**

**Inflation component  
(nominal or real rent perspective)**

**– the long term rate! (?)**



$$K = i / p = 20$$

**1993; Personal injury compensation (5%)**

**1994: "No reason that p should be lower in expropriation cases.**

**2008: Compulsory realization of dwellings on rented land (5%)**

**2008:**

**"only exceptional conditions could legitimate a lower cap rate than the standard level of 5%"**



$$K = i / p$$

**2008:**

## **Clash of professionals' models**

- Foresters' models vs law principles.

(Unclear situation:

5 % - but hardly any models fit)

## **So far not discussed:**

- Risk
- Capital flexibility
- Administration
- Tax
- Reflecting business in the years to come or future business as “capital” today
- “Value of use” in “non-profit” economies.



$$K = i / p$$

**The Norwegian cap rate story:**

**Getting from 5% to 5%  
in a very expensive way**