EXECUTIVE SUMMARY

Strong Performance to Close Record Economic Expansion

BY PAULA MUNGER & LEAH CUFFY

2020 NAA Survey of Operating Income & Expenses in Rental Apartment Communities

The longest-running economic expansion in U.S. history ended abruptly during the first quarter of 2020. The spread of COVID-19 and stay-at-home orders led to business closures, massive job losses and complete economic and social disruption. At the time of this writing, the impacts are still front and center, with 26 million Americans collecting some form of unemployment insurance.

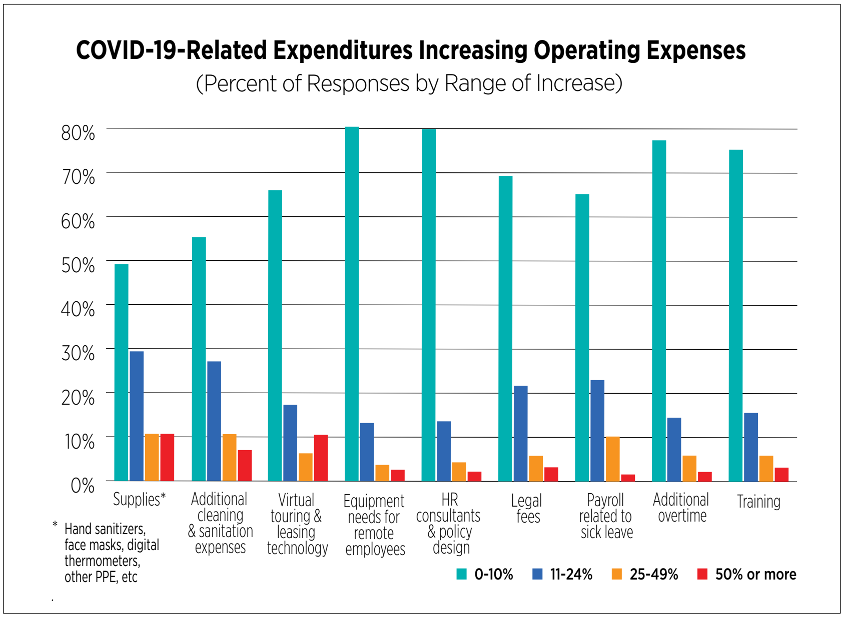
The effects on the apartment industry have varied by market and asset class, and given the recent phasing out of fiscal stimulus that made many Americans whole and kept some businesses alive, have likely yet to be fully realized. Rents are declining in some of the more expensive coastal markets and rising in smaller, more isolated areas, while homeownership is on the rise, a trend already in place before the pandemic. Delinquency rates are near normal for large, institutional-grade properties but rising in older, smaller and/or class C properties. Eviction moratoriums and other policies put in place in response to the pandemic pose severe risks to the industry in 2021 and beyond.

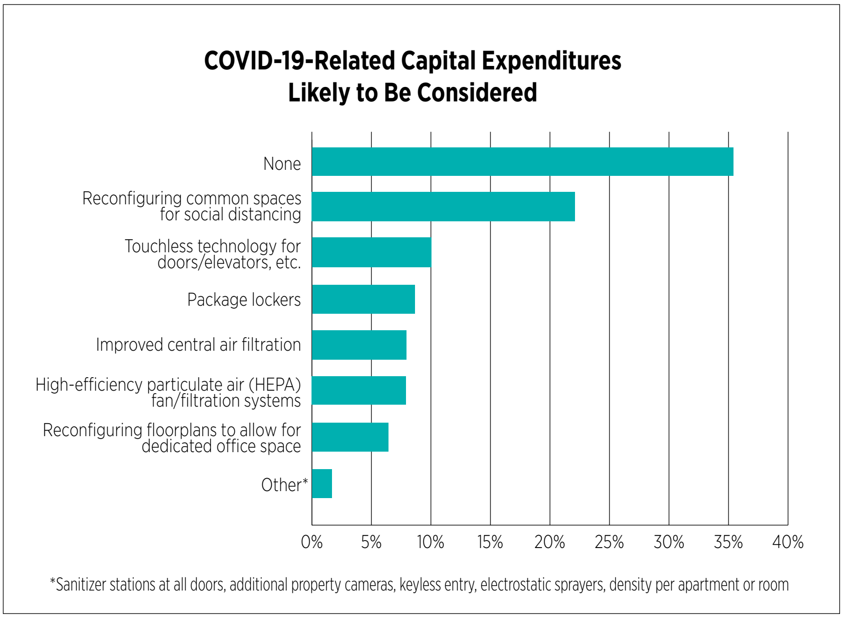
COVID-19 Impacts on the 2021 Budget Process

The 2020 Income and Expenses Survey results are based on 2019 financials and therefore do not reflect the impacts of the COVID-19 pandemic; however, the National Apartment Association (NAA), in partnership with the Institute of Real Estate Management (IREM) and CEL & Associates, surveyed owner and operator members multiple times since April to gauge the effects of COVID-19 and the ensuing economic downturn.

In July 2020, when asked about their budget strategy for 2021, an overwhelming theme in owner/operator responses was the pervasive uncertainty, making budgeting a particularly challenging task this year. Many respondents said they were building in decreased rents and income, freezes on capital expenditures and increased delinquency, vacancy and operating expenses. Those with mixed-use properties were already reporting severe losses to income on the retail portion. Some respondents said they were making property-specific assumptions in their budgets rather than global, portfolio-wide assumptions. Other comments noted budgeting for increased wages, apartment turnover costs and building wear-and-tear expenses given the increased time residents are spending in their homes. The vast majority said their budget would be very conservative.

The September survey asked about staffing levels, with 62 percent of respondents saying there had been no change, 14 percent were hiring and 12 percent were either furloughing or laying off workers. In terms of operating expenses, the greatest increases stemmed from personal protective equipment (PPE) and other supplies as well as virtual tour and leasing technology,

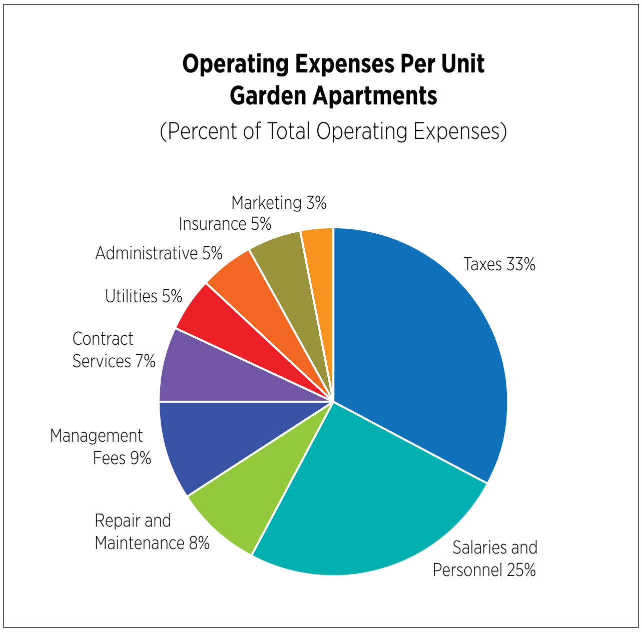


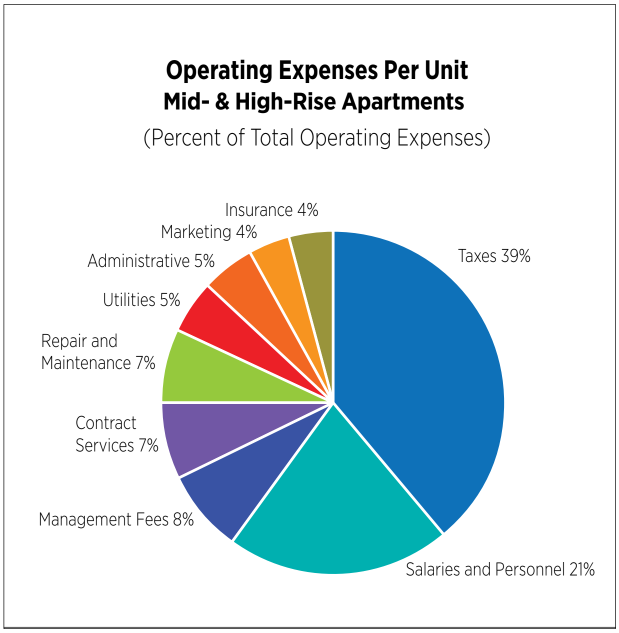


Source: NAA/IREM/CEL Impact of Covid-19 September 2020

with a total of 21 percent of survey respondents saying expenses increased by at least 50 percent. One in five reported 25 to 49 percent increases for cleaning supplies, PPE and payroll expenses. Other expense increases around amenity monitoring and scheduling were cited.

Nearly two-thirds of owners said they are considering capital investments related to COVID-19, particularly involving reconfiguring common spaces to allow for social distancing. Sixteen percent will consider either improved central air filtration and/or high-efficiency particulate air (HEPA) fan/filtration systems. Ten percent will be looking at touchless technology, and a further 9 percent indicated they will invest in package lockers. An expectation of continued uncertainty in this most recent survey was underscored throughout the survey responses, as well.





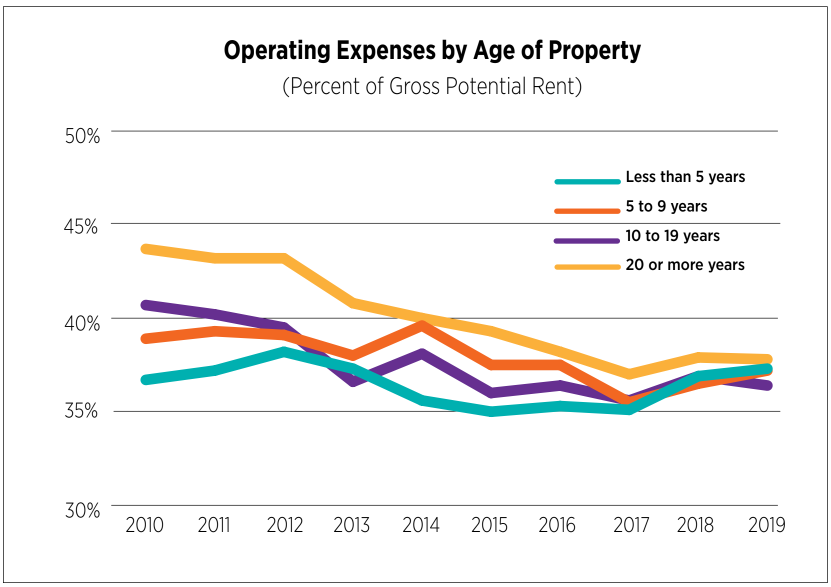
Source: NAA 2020 Survey of Operating Income & Expenses, market rate, individually metered & recovery system properties

2020 Survey Results

Operating expenses per unit increased by 3.7 percent in 2019, in line with long-term averages and at about the same level as last year when measured against Gross Potential Rent (GPR). Once again, property taxes experienced the greatest increase year-over-year, at 7.6 percent on average. Property taxes comprised 35 percent of total operating expenses and 13.2 percent of GPR, both highs since data became available beginning in 2000. Salaries and other personnel costs increased by a modest 2.8 percent, on average. Wage growth nationally averaged 3.3 percent in 2019 but this figure does not include benefits expenses or bonuses. The greatest declines in operating expenses were utilities, which dropped 0.4 percentage points of GPR. In some areas, trash services are also a source of revenue using a fixed fee recovery.

Operating expenses by age of property for market-rent garden properties are presented in the chart at the left. Although older properties clearly have higher operating expenses, the largest increase in expenses over the year came from properties less than 10 years old, driven by increases in taxes and payroll costs. Marketing expenses decreased across the board, particularly in properties less than five years old.

Capital expenditures have consistently been volatile over the years, and 2019



Source: NAA 2020 Survey of Operating Income & Expenses, market rate, individually metered & recovery system garden properties was no exception, posting a double-digit percent increase year-over-year and its share of GPR by 1.3 percentage points. As expected, the highest increase in capital expenditures was for properties 20 years or older, driven mainly by renovations.

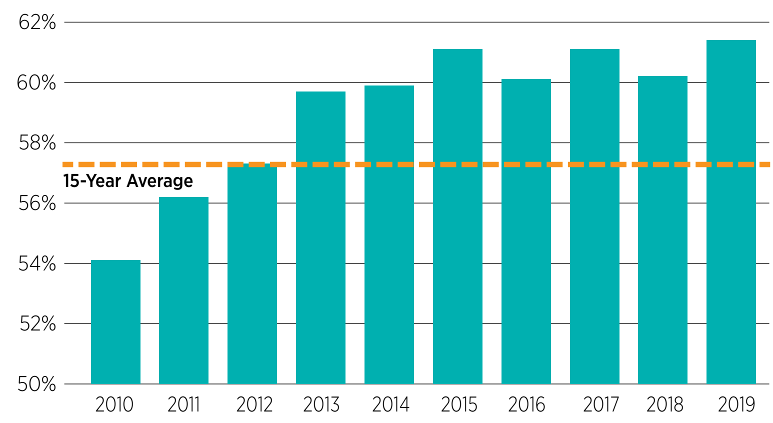
Net operating income (NOI) increased 6.3 percent year-over-year in 2019, and reported at 61.4 percent of GPR, was at its highest level on record. GPR increased 4.3 percent, on average. Rent revenue collected as a percent of GPR was unchanged from 2018, but ancillary revenue was at its highest point since 2012 at 6.6 percent of GPR. Of the line items identified in the survey, increases in amenity, parking and pet fees were the main drivers of other revenue growth. The newest garden-style properties (stabilized but less than 5 years old) derived 8 percent of their revenue through other sources, a 2.1 percentage point jump from 2018.

Economic losses overall remained unchanged at 7.5 percent of GPR. Fewer concessions were offset by slight increases in vacancy and collection losses.

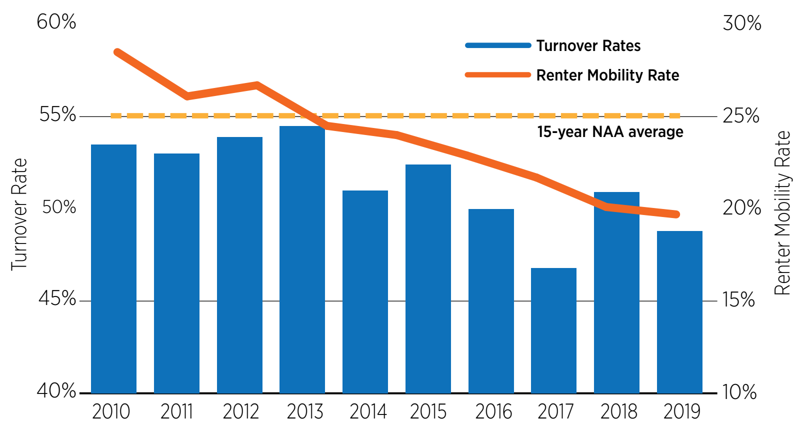
Turnover rates dipped back down to 49 percent, the second-lowest rate on record (47 percent just two years ago) and well below the 15-year average of 55 percent. Apart from last year's anomaly, turnover rates from the survey track closely with the Census Bureau's renter mobility rate, which was at an all-time low of 19.7 percent in 2019. A decades-low vacancy rate for all types of rental housing has certainly contributed to mobility declines.

After increasing for four consecutive years, the number of units per full-time employee declined slightly to 44.9. Given the challenges recruiting and retaining onsite staff, the decline is likely reflective of a lagged effect in filling positions

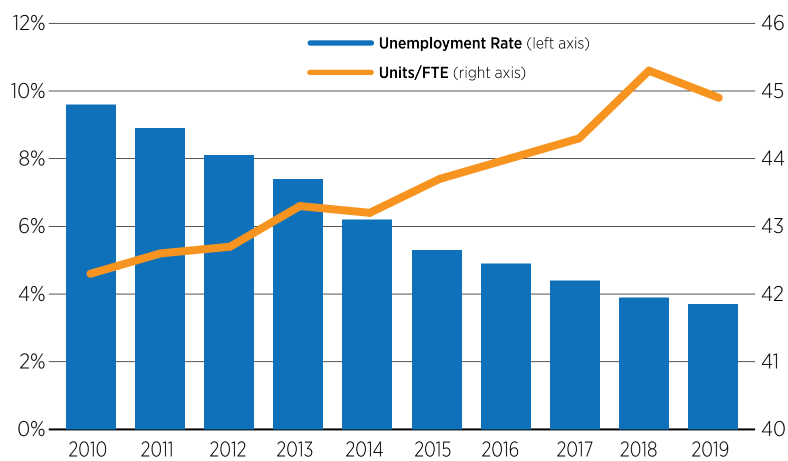
NOI as a Percent of GPR
(Per Unit)



Historic Turnover Rate & Renter Mobility Rates

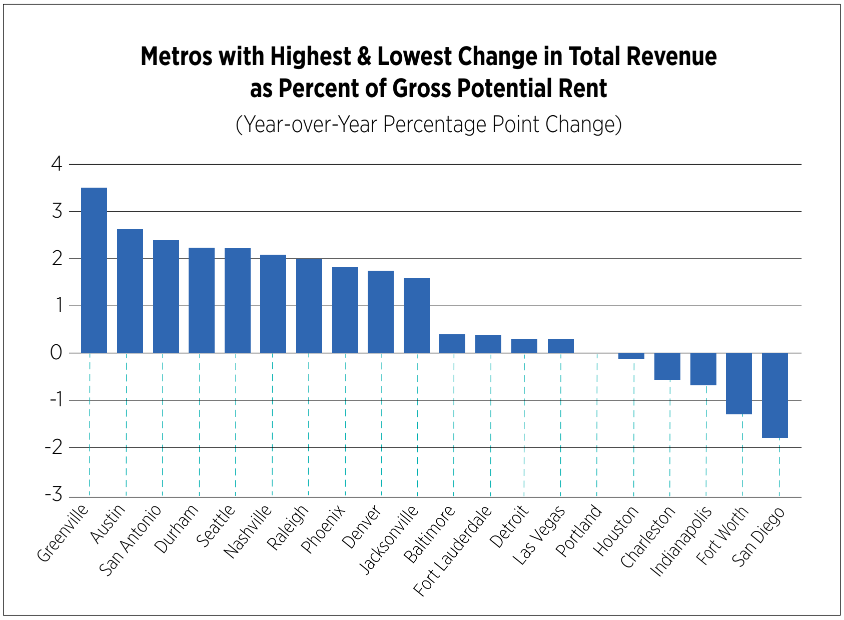


Units per Full-Time Employee vs. Unemployment Rate



Sources: NAA 2020 Survey of Operating Income & Expenses, market rate, individually metered & recovery system garden properties; U.S. Census Bureau; U.S. Bureau of Labor Statistics

Metropolitan Area Overview



Source: NAA 2020 Survey of Operating Income & Expenses; market rate, individually metered & recovery system garden properties; metros with 20 or more properties in sample

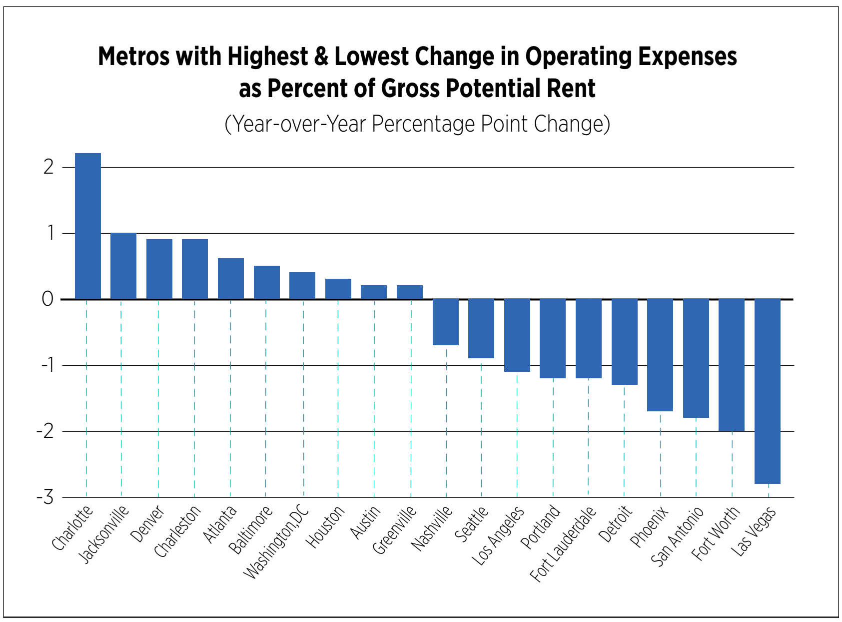
The full report includes income and expenses statistics on market-rate apartment properties for 65 metropolitan areas. This metro area analysis focuses on year-over-year trends for operating expenses, total revenue, additional revenue and net operating income for garden-style, individually metered and recovery system properties in metro areas that had 20 or more properties in the sample. Figures are expressed as a percent of GPR unless otherwise noted. The top 10 metros for largest increases and decreases in revenue and operating expenses are displayed in the charts that follow.

Total revenue per unit ranged from $11,859 in Indianapolis to $21,826 in Los Angeles. Greenville posted a 3.5 percentage point increase in total revenue. San Diego ranked lowest, declining 1.8 percentage points. In addition to rent revenue and ancillary revenue, vacancy and concession losses had the greatest impact for reducing total revenue.

Amenity fees were the highest source of additional revenue for southern markets including San Antonio, Charleston, Nashville, Houston, Tampa and Washington, D.C. However, Virginia Beach, Charlotte, Greenville, Las Vegas and Orlando saw a 0.1 percentage point decline from 2018 to 2019. Parking fees were a profitable additional source of revenue in coastal markets. Seattle saw a 0.3 percentage point increase, followed by San Diego and Washington, D.C., which grew 0.2 percentage points.

Net operating income varied from $15,249 in San Diego to $6,346 in San Antonio. San Antonio had the highest growth in NOI, experiencing a 4.2 percentage point increase. San Antonio's solid bottom line is attributed to a favorable decline in operating expenses by 1.8 percentage points. Reductions in salary/personnel costs, utilities and contract services were the main drivers.

Operating expenses ranged from $4,115 per unit in Las Vegas to $7,602 in Fort Lauderdale. Las Vegas experienced the largest decrease in operating expenses, improving by 1.1 percentage points. Declines in administrative costs, taxes, contact services, salary/personnel costs and marketing expenses contributed to improved profit margins. Charlotte led in operating expenses, increasing by 2.2 percentage points, driven by increases in taxes, management fees, salary/personnel costs and insurance.



Source: NAA 2020 Survey of Operating Income & Expenses; market rate, individually metered & recovery system garden properties; metros with 20 or more properties in sample

Outlook

Forecasting is solidly rooted in historical data. With no precedent in modern times for a recession brought on by a global health crisis and a recovery fully and deeply tied to medical treatments and prevention, charting the course for the economy and apartment industry is extremely difficult. If we look to the Global Financial Crisis (GFC) in 2007-2008 for guidance, the industry would be in for a bumpy 12 to 18 months. But the GFC was fundamentally different in that the housing crisis ultimately spurred unparalleled demand for rental housing.

Forecasts from various data providers and analysts range from an average drop in rent of approximately half a percent to 4 percent in 2020, with occupancy declining up to 1.30 percentage points. Predictions for 2021 vary with rent at zero growth to increasing 4 percent and occupancy stabilizing but not returning to pre-pandemic levels until after 2022. It is important to note that the majority of these forecasts are updated quarterly and those currently available are mainly reflective of data and trends as of Q2 2020.

The industry was on solid ground when the pandemic started, coming off strong NOI growth in 2019. Coupled with agile responses of owners and operators in working with financially-strapped residents, adopting new procedures around health and safety and embracing technological solutions means apartments should weather the downturn and emerge in a much better position on the other side of the pandemic than many other property types.

Risks are decidedly weighted to the negative, however. Most economists agree that without additional fiscal stimulus, a fall/winter wave of COVID-19 could not only stall the recovery but plunge the U.S. back into recession. A presidential election only augments the uncertainty that has plagued businesses and consumers since March. And the outcome of the election, including potential adverse policies for rental housing, could have profound effects on the industry.

About the Survey

The survey was conducted, compiled and tabulated by CEL & Associates, Inc. Special thanks to Janet Gora, Managing Director, CEL & Associates, Inc. A total of 2,974 properties with 50 or more units containing 791,170 units are represented in this year's report covering financials from 2019.

Data were reported for 2,625 market-rent properties containing 735,910 units and 349 subsidized properties containing 55,260 units (Surveys with partial data or apparent problems that could not be resolved were not included.).

The report presents data from stratifications of garden and mid-rise/high-rise properties; it is further segmented by individual meter and recovery systems (e.g., submeter, RUBS, flat fee), and master-metered utilities, for the property's primary utility. Survey data is presented in three forms: Dollars per unit, dollars per square foot of rentable area and as a percentage of gross potential rent (GPR). Responses from garden properties with individual meter/recovery utilities represent 77 percent of the market-rent units and 54 percent of the subsidized units. References to statistics within the analysis typically refer to total market rate, individually metered and recovery system properties, except where noted as garden style.

The market-rent segment generally has more units per property and greater floor area per unit than the subsidized segment. The average size (# of units) of individual meter/recovery, market-rent properties is 280 units in 2019 (270 in 2018), and 166 units in subsidized properties in 2019 (156 in 2018). Rentable floor area averaged 939 square feet (933 in 2018) for market-rent apartments and 915 square feet (916 in 2018) for the subsidized units.

The full report (available at https://www.naahq.org/news-publications/2020-income-expenses-survey) contains detailed data summarized for NAA's 10 geographic regions, and 65 metropolitan areas met the separate reporting criteria for market-rent properties. Sufficient numbers of subsidized properties were submitted for 13 metropolitan areas.

This report also includes results for all "other" properties at the state level located in metro areas that did not meet criteria for separate reporting. Non-metro area reporting also is included at the state level. Tables for these "other" market-rent properties are provided for 17 states and for subsidized properties in 11 states. The NAA survey includes standard utilities and distinguishes expenses and recoveries by utility configuration to confirm that net utilities are reported. This level of standard utility expense more consistently represents utilities for comparison between properties. Not all properties are able to designate this detail. The additional utility reports represent those properties that offer utility detail for comparison. Additional reporting presented for questions with expanded segmentation areas represents those properties that reported detail. Those that did not were reported as "other."

Glossary of Terms

■ **Administrative.** Total monies spent on general and administrative items such as answering service, donations, mileage reimbursement, bank charges, legal/eviction charges, postage, telephone/fax/internet charges, office supplies, uniforms, credit reports, permits, membership dues, subscriptions, data processing, etc. Does not include any payroll-related expenses.

■ **Capital Expenditures.** Capital Expenditures (CapEx) are separated by the categories listed (renovations, replacements and "other"). All "other" CapEx expenses would include the sum of any items not specifically listed above. A zero on the line meant there were no capital expenditures.

■ **Contract Services.** Contract Services are separated by the categories listed (landscaping, pest control, security and "other"). All "other" contract services expenses would include the sum of any items not specifically listed above (e.g., Snow removal, and other services provided on a contract basis). Trash removal is not included here.

■ **Gross Potential Revenue/Rent Residential.** Total rents of all occupied units at 2019 lease rates and all vacant units at 2019 market rents (or fiscal year end).

ALL MARKET RENT PROPERTIES OPERATING INCOME & EXPENSE DATA

INDIVIDUAL METERED AND RECOVERY SYSTEM PROPERTIES*

	TOTAL			GARDEN			MID- & HIGH-RISE		
Number of Properties		2,489			1,999			490	
Number of Units		697,275			564,129			133,146	
Avg. No. of Units/Property		280			282			272	
Avg. No. of Square Feet/Unit		939			952			887	
Turnover rate in %		49%			49%			50%	
Revenues	**$ Per Unit**	**$ Per Sq. Ft.**	**% of GPR**	**$ Per Unit**	**$ Per Sq. Ft.**	**% of GPR**	**$ Per Unit**	**$ Per Sq. Ft.**	**% of GPR**
Gross Potential Rent	16,509	17.58	100.0%	14,961	15.72	100.0%	23,067	26.02	100.0%
Rent Revenue Collected	15,277	16.27	92.5%	13,908	14.62	93.0%	21,076	23.77	91.4%
Losses to Vacancy	980	1.04	5.9%	847	0.89	5.7%	1,547	1.74	6.7%
Collection Losses	84	0.09	0.5%	79	0.08	0.5%	109	0.12	0.5%
Losses to Concessions	167	0.18	1.0%	127	0.13	0.9%	336	0.38	1.5%
Other Revenue	1,093	1.16	6.6%	989	1.04	6.6%	1,534	1.73	6.7%
Total Revenue	**16,370**	**17.43**	**99.2%**	**14,898**	**15.65**	**99.6%**	**22,610**	**25.50**	**98.0%**
Operating Expenses									
Salaries and Personnel	1,489	1.59	9.0%	1,387	1.46	9.3%	1,923	2.17	8.3%
Insurance	285	0.30	1.7%	270	0.28	1.8%	348	0.39	1.5%
Taxes	2,184	2.33	13.2%	1,867	1.96	12.5%	3,529	3.98	15.3%
Utilities	307	0.33	1.9%	272	0.29	1.8%	452	0.51	2.0%
Management Fees	529	0.56	3.2%	489	0.51	3.3%	696	0.79	3.0%
Administrative	295	0.31	1.8%	259	0.27	1.7%	447	0.50	1.9%
Marketing	216	0.23	1.3%	172	0.18	1.2%	401	0.45	1.7%
Contract Services	439	0.47	2.7%	395	0.42	2.6%	626	0.71	2.7%
Repair and Maintenance	497	0.53	3.0%	469	0.49	3.1%	614	0.69	2.7%
Total Operating Expenses	**6,241**	**6.64**	**37.8%**	**5,581**	**5.86**	**37.3%**	**9,036**	**10.19**	**39.2%**
Net Operating Income	**10,130**	**10.79**	**61.4%**	**9,317**	**9.79**	**62.3%**	**13,575**	**15.31**	**58.8%**
Capital Expenditures	**1,805**	**1.92**	**10.9%**	**1,765**	**1.85**	**11.8%**	**1,983**	**2.24**	**8.6%**

** Individual Meter and Recovery System (submeter, RUBS, flat fee) for primary utility.*

Source: National Apartment Association 2020 Survey of Operating Income & Expenses in Rental Apartment Communities

Heating/Cooling Fuel. Type of fuel used in apartment units.
Insurance. Includes property hazard and liability and real property insurance and does not include health/payroll insurance.
Maintenance. Total monies spent on general maintenance, maintenance supplies and uniforms, minor painting/carpeting repairs, plumbing supplies and repairs, security gate repairs, keys/locks, minor roof/window repairs, HVAC repairs, cleaning supplies, etc. Does not include any payroll-related expenses or non-recurring capital expenses. Contract services are reported separately.
Management Fees. Total fees paid to the management agent/company by the owner.
Marketing. Marketing expenses are separated by the categories listed (internet, print, resident relations and "other"). All "other" marketing expenses would include the sum of any items not specifically listed above. (i.e., locator fees, signage, model expense, etc.) NOTE: rent concessions are not included.
Net Rentable Residential Square Feet. Total rentable square feet of floor space in residential units only. Area reported includes only finished space inside four perimeter walls of each unit. Common areas are excluded.
Other Revenue. Monies received are separated by the categories listed (amenity fees, laundry, parking, pet fees, storage and "other"). All "other" would include the sum of any items not

ALL MARKET RENT PROPERTIES OPERATING INCOME & EXPENSE DATA

MASTER METERED PROPERTIES*

	TOTAL			GARDEN			MID- & HIGH-RISE		
Number of Properties		136			89			47	
Number of Units		38,635			21,786			16,849	
Avg. No. of Units/Property		284			245			358	
Avg. No. of Square Feet/Unit		847			876			809	
Turnover rate in %		37%			38%			36%	
	$ Per Unit	**$ Per Sq. Ft.**	**% of GPR**	**$ Per Unit**	**$ Per Sq. Ft.**	**% of GPR**	**$ Per Unit**	**$ Per Sq. Ft.**	**% of GPR**
Revenues									
Gross Potential Rent	19,082	22.53	100.0%	17,377	19.84	100.0%	21,286	26.31	100.0%
Rent Revenue Collected	17,949	21.20	94.1%	16,365	18.68	94.2%	19,998	24.72	93.9%
Losses to Vacancy	899	1.06	4.7%	805	0.92	4.6%	1,020	1.26	4.8%
Collection Losses	128	0.15	0.7%	127	0.14	0.7%	130	0.16	0.6%
Losses to Concessions	105	0.12	0.6%	80	0.09	0.5%	138	0.17	0.6%
Other Revenue	964	1.14	5.1%	732	0.84	4.2%	1,263	1.56	5.9%
Total Revenue	**18,913**	**22.34**	**99.1%**	**17,097**	**19.52**	**98.4%**	**21,261**	**26.28**	**99.9%**
Operating Expenses									
Salaries and Personnel	1,568	1.85	8.2%	1,615	1.84	9.3%	1,508	1.86	7.1%
Insurance	329	0.39	1.7%	256	0.29	1.5%	423	0.52	2.0%
Taxes	1,517	1.79	7.9%	1,344	1.53	7.7%	1,740	2.15	8.2%
Utilities	1,083	1.28	5.7%	933	1.07	5.4%	1,277	1.58	6.0%
Management Fees	619	0.73	3.2%	639	0.73	3.7%	593	0.73	2.8%
Administrative	298	0.35	1.6%	257	0.29	1.5%	351	0.43	1.6%
Marketing	172	0.20	0.9%	164	0.19	0.9%	182	0.22	0.9%
Contract Services	822	0.97	4.3%	495	0.57	2.9%	1,243	1.54	5.8%
Repair and Maintenance	589	0.70	3.1%	563	0.64	3.2%	622	0.77	2.9%
Total Operating Expenses	**6,996**	**8.26**	**36.7%**	**6,267**	**7.15**	**36.1%**	**7,940**	**9.81**	**37.3%**
Net Operating Income	**11,917**	**14.07**	**62.5%**	**10,831**	**12.36**	**62.3%**	**13,322**	**16.47**	**62.6%**
Capital Expenditures	**3,162**	**3.73**	**16.6%**	**2,726**	**3.11**	**15.7%**	**3,738**	**4.62**	**17.6%**

**Master Meter Owner Paid for primary utility.*

Source: National Apartment Association 2020 Survey of Operating Income & Expenses in Rental Apartment Communities

specifically listed above. (i.e., vending, deposit forfeitures, furniture, late fees, termination fees, application fees, etc.) NOTE: interest income or utility reimbursements are not included. (Utility reimbursement/recovery is subtracted from gross utility costs.)

■ **Payroll Costs.** Gross salaries and wages paid to employees assigned to the property in all departments. Includes payroll taxes, group health/life/disability insurance, 401(k), bonuses, leasing commissions, value of employee apartment allowance, workers' compensation, retirement contributions, overtime and other cash benefits.

■ **Rent-Controlled Property.** A property is subject to rent controls through local or state government regulations. This does not apply if rents are controlled through a government program that provides direct subsidies.

■ **Rental Revenue Residential.** Total rent collections for residential units after vacancy/administrative, bad debt and discount or concession losses.

■ **Revenue Losses to Collections.** Amount of residential rents not received due to collection losses.

■ **Revenue Losses to Concessions.** Amounts of gross potential residential rents not received due to concessions.

■ **Revenue Losses to Vacancies.** Amount of rental income for residential units not collected because of

ALL SUBSIDIZED PROPERTIES OPERATING INCOME & EXPENSE DATA

INDIVIDUAL METERED AND RECOVERY SYSTEM PROPERTIES*

	TOTAL			GARDEN			MID- & HIGH-RISE		
Number of Properties		230			185			45	
Number of Units		38,240			29,734			8,506	
Avg. No. of Units/Property		166			161			189	
Avg. No. of Square Feet/Unit		915			932			853	
Turnover rate in %		30%			30%			33%	
Revenues	**$ Per Unit**	**$ Per Sq. Ft.**	**% of GPR**	**$ Per Unit**	**$ Per Sq. Ft.**	**% of GPR**	**$ Per Unit**	**$ Per Sq. Ft.**	**% of GPR**
Gross Potential Rent	14,027	15.34	100.0%	12,872	13.81	100.0%	18,067	21.19	100.0%
Rent Revenue Collected	13,282	14.52	94.7%	12,237	13.12	95.1%	16,933	19.86	93.7%
Losses to Vacancy	569	0.62	4.1%	486	0.52	3.8%	862	1.01	4.8%
Collection Losses	99	0.11	0.7%	91	0.10	0.7%	126	0.15	0.7%
Losses to Concessions	77	0.08	0.6%	58	0.06	0.4%	146	0.17	0.8%
Other Revenue	499	0.55	3.6%	420	0.45	3.3%	774	0.91	4.3%
Total Revenue	**13,780**	**15.07**	**98.2%**	**12,657**	**13.58**	**98.3%**	**17,707**	**20.77**	**98.0%**
Operating Expenses									
Salaries and Personnel	1,581	1.73	11.3%	1,534	1.64	11.9%	1,746	2.05	9.7%
Insurance	392	0.43	2.8%	409	0.44	3.2%	330	0.39	1.8%
Taxes	1,047	1.15	7.5%	846	0.91	6.6%	1,750	2.05	9.7%
Utilities	829	0.91	5.9%	831	0.89	6.5%	826	0.97	4.6%
Management Fees	581	0.63	4.1%	557	0.60	4.3%	663	0.78	3.7%
Administrative	497	0.54	3.5%	485	0.52	3.8%	539	0.63	3.0%
Marketing	136	0.15	1.0%	126	0.14	1.0%	171	0.20	0.9%
Contract Services	582	0.64	4.2%	559	0.60	4.3%	665	0.78	3.7%
Repair and Maintenance	658	0.72	4.7%	661	0.71	5.1%	650	0.76	3.6%
Total Operating Expenses	**6,303**	**6.89**	**44.9%**	**6,007**	**6.44**	**46.7%**	**7,338**	**8.61**	**40.6%**
Net Operating Income	**7,477**	**8.18**	**53.3%**	**6,650**	**7.13**	**51.7%**	**10,369**	**12.16**	**57.4%**
Capital Expenditures	**1,208**	**1.32**	**8.6%**	**1,063**	**1.14**	**8.3%**	**1,663**	**1.95**	**9.2%**

* Individual Meter and Recovery System (submeter, RUBS, flat fee) for primary utility.

Source: National Apartment Association 2020 Survey of Operating Income & Expenses in Rental Apartment Communities

vacancies and other use of units, such as models and offices.
■ **Subsidized Property.** A property has controlled rents through a government subsidized program. (e.g., low-income housing).
■ **Taxes.** Total real estate and personal property taxes only. Does not include payroll or rendering fees related to property taxes or income taxes.
■ **Tax-Exempt Bond or Housing-Credit Property.** A property that has received tax-exempt bond financing and/or is a low-income tax credit property.
■ **Total Operating Expenses.** Sum of all operating costs. The sum of all expense categories must balance with this line, using total net utility expenses only. Does not include debt service or any one-time extraordinary costs.
■ **Turnover.** Number of apartment units in which residents moved out of the property during the 12-month reporting period.
■ **Utilities.** Total cost of all standard utilities and each listed type, net of any income reimbursements for or from residents (i.e., submeter, RUBS, flat fee or similar system).
■ **Utility Configuration.** Whether electric, gas, oil and water/sewer utilities to individual units in subject property are: Master Metered, Owner Paid; Master Metered with a Resident Recovery System, (submeter, RUBS, flat fee); Individual Meter, Resident Paid. Report grouping is based on the configuration of the primary utility for the residents.

ALL SUBSIDIZED PROPERTIES OPERATING INCOME & EXPENSE DATA

MASTER METERED PROPERTIES*

	TOTAL			GARDEN			MID- & HIGH-RISE		
Number of Properties		119			64			55	
Number of Units		17,020			9,006			8,014	
Avg. No. of Units/Property		143			141			146	
Avg. No. of Square Feet/Unit		782			844			713	
Turnover rate in %		15%			17%			14%	
	$ Per Unit	**$ Per Sq. Ft.**	**% of GPR**	**$ Per Unit**	**$ Per Sq. Ft.**	**% of GPR**	**$ Per Unit**	**$ Per Sq. Ft.**	**% of GPR**
Revenues									
Gross Potential Rent	16,849	21.53	100.0%	16,673	19.75	100.0%	17,047	23.90	100.0%
Rent Revenue Collected	16,322	20.86	96.9%	16,069	19.04	96.4%	16,606	23.28	97.4%
Losses to Vacancy	435	0.56	2.6%	496	0.59	3.0%	367	0.51	2.2%
Collection Losses	59	0.08	0.3%	68	0.08	0.4%	48	0.07	0.3%
Losses to Concessions	33	0.04	0.2%	39	0.05	0.2%	26	0.04	0.2%
Other Revenue	305	0.39	1.8%	242	0.29	1.5%	376	0.53	2.2%
Total Revenue	**16,627**	**21.25**	**98.7%**	**16,311**	**19.32**	**97.8%**	**16,982**	**23.81**	**99.6%**
Operating Expenses									
Salaries and Personnel	2,145	2.74	12.7%	2,232	2.64	13.4%	2,048	2.87	12.0%
Insurance	407	0.52	2.4%	398	0.47	2.4%	418	0.59	2.5%
Taxes	1,144	1.46	6.8%	1,073	1.27	6.4%	1,225	1.72	7.2%
Utilities	1,566	2.00	9.3%	1,537	1.82	9.2%	1,598	2.24	9.4%
Management Fees	769	0.98	4.6%	752	0.89	4.5%	788	1.11	4.6%
Administrative	722	0.92	4.3%	699	0.83	4.2%	747	1.05	4.4%
Marketing	266	0.34	1.6%	216	0.26	1.3%	321	0.45	1.9%
Contract Services	1,175	1.50	7.0%	1,100	1.30	6.6%	1,260	1.77	7.4%
Repair and Maintenance	817	1.04	4.9%	611	0.72	3.7%	1,049	1.47	6.2%
Total Operating Expenses	**9,012**	**11.52**	**53.5%**	**8,620**	**10.21**	**51.7%**	**9,454**	**13.26**	**55.5%**
Net Operating Income	**7,615**	**9.73**	**45.2%**	**7,691**	**9.11**	**46.1%**	**7,529**	**10.56**	**44.2%**
Capital Expenditures	**1,331**	**1.70**	**7.9%**	**1,583**	**1.88**	**9.5%**	**1,050**	**1.47**	**6.2%**

**Master Meter Owner Paid for primary utility.*

Source: National Apartment Association 2020 Survey of Operating Income & Expenses in Rental Apartment Communities

APARTMENT OPERATIONS METRICS INDIVIDUALLY METERED AND RECOVERY SYSTEM

MARKET-RENT GARDEN PROPERTIES

	Properties	Units	Revenue / Payroll	Net Operating Income/ Payroll	# Units/ Full-time Employees	# Units/ Total Employees	Payroll/ Revenue	Payroll/ Net Operating Income
Less Than 100 Units	111	8,391	$9.83	$5.77	38.8	31.9	10.2%	17.3%
100 to 199 Units	409	62,639	$9.63	$5.78	41.2	37.3	10.4%	17.3%
200 to 299 Units	672	166,385	$10.41	$6.43	44.0	42.0	9.6%	15.6%
300 to 399 Units	501	169,998	$10.98	$6.93	45.6	44.7	9.1%	14.4%
400 to 499 Units	192	84,486	$11.21	$7.14	46.5	45.7	8.9%	14.0%
500 or More Units	114	72,230	$11.71	$7.53	47.5	46.7	8.5%	13.3%
Total	**1,999**	**564,129**	**$10.74**	**$6.72**	**44.9**	**43.1**	**9.3%**	**14.9%**

Source: National Apartment Association 2020 Survey of Operating Income & Expenses in Rental Apartment Communities

Thank you to Participating Companies

A special note of appreciation from NAA to the 134 firms who donated their time to accumulate the data necessary to make this survey valuable. The following companies and their officers provided 20 or more properties for the 2020 Survey of Operating Income & Expenses in Rental Apartment Communities.

Adara Communities
Advanced Management Company
Aeon
ALCO Management
AMLI Residential
Beacon Communities LLC
Bell Partners Inc.
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Beztak Properties
BH Management Services
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