THE STAYING POWER of Apartments

A Disciplined Industry Still Yielding Moderate Returns

2017 NAA SURVEY OF OPERATING INCOME & EXPENSES IN RENTAL APARTMENT COMMUNITIES

BY PAULA MUNGER

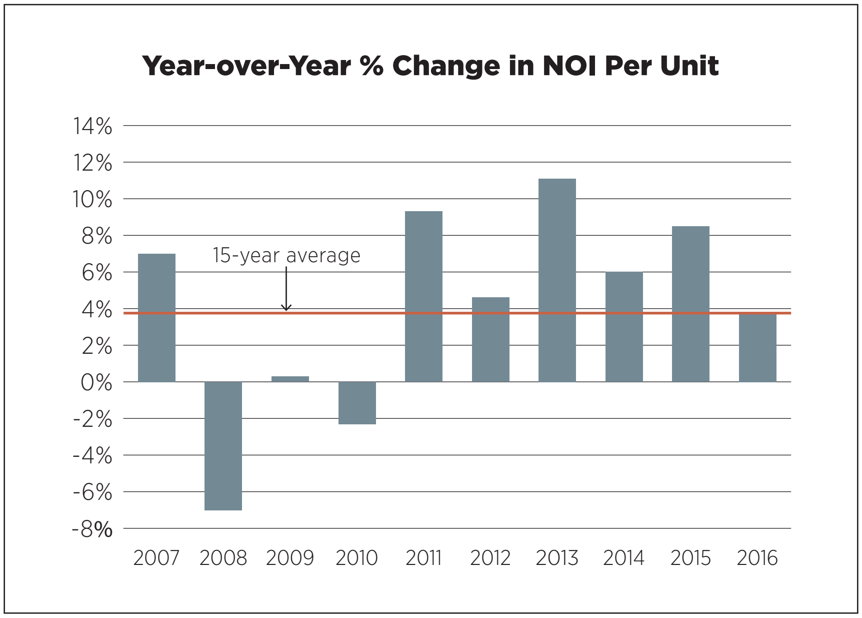
Demographics, societal shifts and sheer economics continue to drive demand for apartments to levels not seen in half a century. While the homeownership rate has stabilized in recent months, it is well below levels seen prior to the Financial Crisis, yet remains above most European countries with similar economic fundamentals.

Some 4.6 million new apartments will be needed by 2030 just to keep up with demand, according to recent research commissioned by NAA and the National Multifamily Housing Council and conducted by Hoyt Advisory Services. The main drivers of demand are the aging population, as more and more of the 55+ population join the ranks of renters; immigrants, who rent more than own and are expected to comprise an increasing proportion of U.S. population growth; and actions and attitudes of younger generations, the Millennials and those who will follow, delaying marriage and children, two life events which tend to trigger the home-owning decision.

Thus far in 2017, "cooling" is one of the more prominent adjectives used to describe conditions in the rental housing market. Unsustainably high rental growth, a gap in pricing expectations between buyers and sellers and high levels of new construction combined to temper an industry where double-digit growth was becoming the norm.

Survey Results Overview

The results of the 2017 NAA Survey of Operating Income and Expenses in Rental Apartment Communities, based on 2016 data provided by apartment owners and managers nationwide, mirror the somewhat subdued



SOURCE: NAA 2017 SURVEY OF OPERATING INCOME & EXPENSES; MARKET RATE, INDIVIDUAL METERED AND RECOVERY SYSTEM PROPERTIES

performance occurring in the industry as a whole. Gross potential revenue, the sum total of rent in both occupied and unoccupied apartments, increased 5.5 percent in 2016, after a 6.4 percent increase in the prior year. Total operating expenses increased 5.4 percent, well above the long-term average of 3 percent, taking a bite out of net operating income (NOI). At 3.8 percent, NOI experienced the slowest growth in this cycle, although right in line with the 15-year average. Still, in this long-term, low-interest rate environment, returns in the 4-percent range are testament to the health and staying power of the apartment industry.

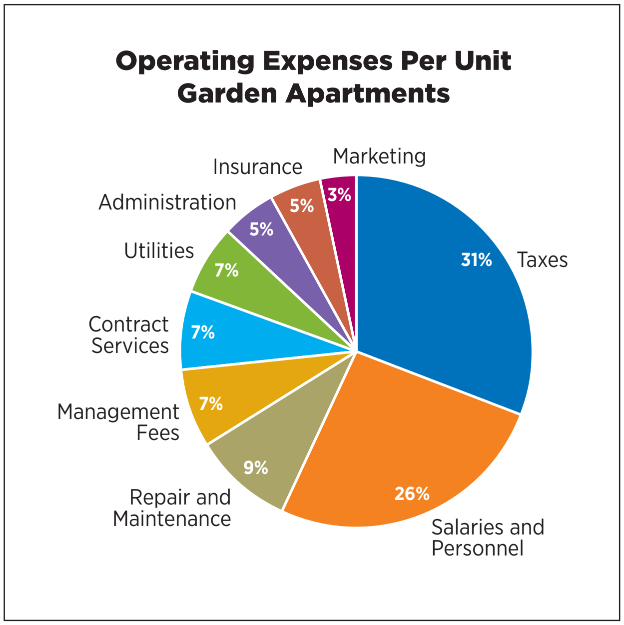
Other revenue trends that surfaced in this year's survey include hits to revenue; in particular, concessions. Rent concessions, which comprised 30 percent of apartment properties' losses through the 00s, are now less than 15 percent. While some of this can be explained by owners' creativity for luring prospective residents to their properties, e.g. gift cards, which would be recorded as a marketing expense, or waiving security deposits rather than offering free rent, it is most certainly reflective of extremely competitive and tight markets. As construction peaks and competition heats up in 2017, it will be interesting to see if this trend begins to reverse itself in next year's survey results.

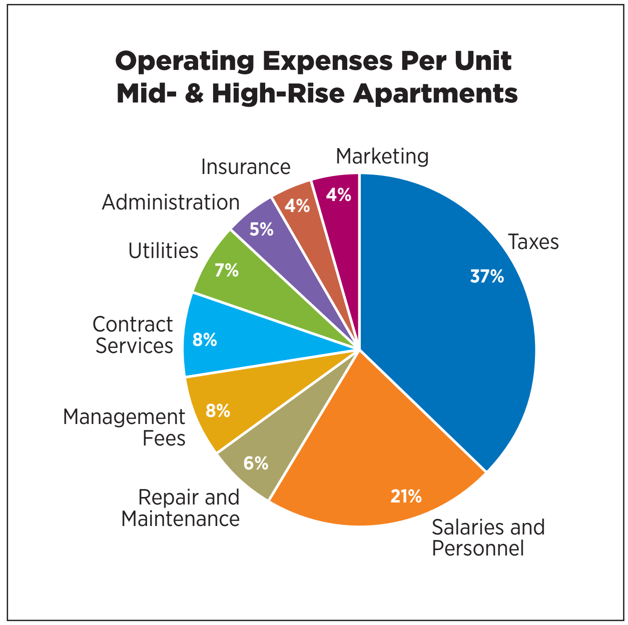
For the first time, in 2017, NAA's survey asked participants about specific categories under the "other revenue" umbrella. Although data collection in this first year was not robust, parking fees, followed by pet fees, were the largest components of revenue from other sources.

Total operating expenses increased by 5.4 percent, up from a 3.5 percent increase in the prior year. Increases were driven by taxes, contract services, management fees and marketing – all up by 8 percent or more in just one year's time. In 2013, property taxes surpassed salaries and personnel as the No. 1 cost among our survey respondents, and have been rising an average of 10 percent per year since then.

After dipping in 2015, utility costs per unit increased by 4.5 percent for individually metered and recovery system properties and 8.9 percent for master-metered properties. The complete report, available at naahq.org/17ies includes detailed data and categorization of utilities.

Unsurprisingly, newer garden properties (built within the past five years) carry higher operating expenses per unit than their older counterparts in terms of pure dollars spent. During the past five years, average annual increases in operating expenses in newer properties were double that of properties older than 20 years. To be sure, owners of older properties spend more on repairs, maintenance, and utilities, but property taxes and marketing dominate more of a newer community's budget.

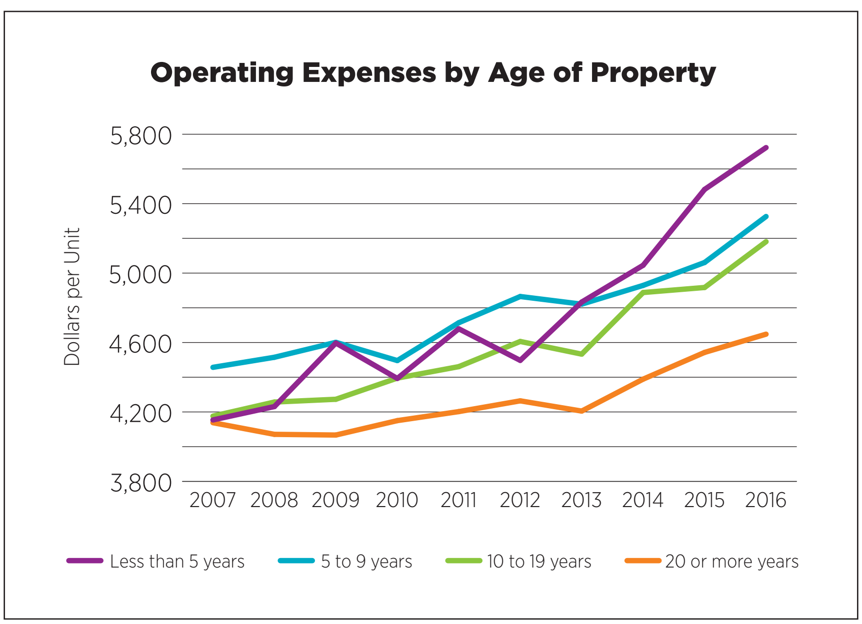




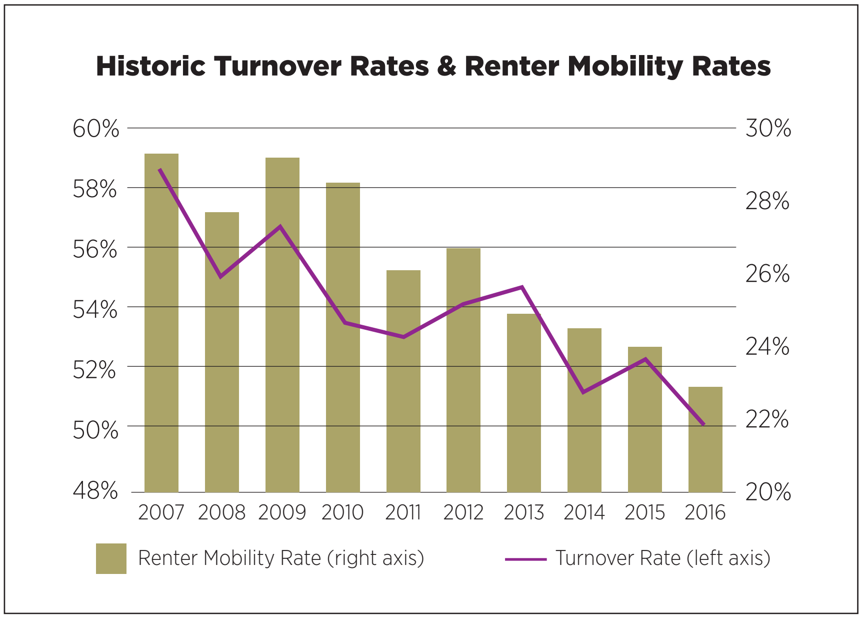
SOURCE: NAA 2017 SURVEY OF OPERATING INCOME & EXPENSES; MARKET RATE, INDIVIDUAL METERED AND RECOVERY SYSTEM PROPERTIES

The complete report also breaks down income and expenses by property size. While economies of scale clearly prevail for larger properties, the dispersion of responses is relatively compact, with the widest gap in total operating expenses being an eight percent differential in properties that have fewer than 100 units versus properties with 250 to 499 units.

The 2017 survey also further segmented both marketing expenses as well as contract services. Internet marketing ranking as the largest component of marketing spend is expected, but the "resident relations" category will bear watching in the coming years as creating experiences through events is becoming more popular and sought-after in communities across the country. Print marketing makes up less than 5 percent of the total marketing budget. Under the contracting services category, landscaping



SOURCE: NAA 2017 SURVEY OF OPERATING INCOME & EXPENSES; MARKET RATE, INDIVIDUAL METERED AND RECOVERY SYSTEM GARDEN PROPERTIES



SOURCE: NAA 2017 SURVEY OF OPERATING INCOME & EXPENSES; MARKET RATE, INDIVIDUAL METERED AND RECOVERY SYSTEM PROPERTIES; U.S. CENSUS BUREAU

is far and away the largest component at 36 percent.

Apartment owners and operators are getting leaner, with a unit to full-time employee ratio of 44, the highest in at least a decade when this metric was first collected. This could be interpreted as higher productivity per employee, or may merely be a function of a tight labor market. Given that many industry leaders consistently express challenges in filling positions, particularly maintenance and property management professionals, this figure may begin to inch back down in the coming years as more-focused recruiting and training initiatives emerge.

Capital expenditures, which has proven to be a volatile data series throughout the survey's history, averaged a 16 percent increase per year since 2011. In 2017, categories were added to the survey, revealing that about one-third of capital expenditures were tied to renovations. With more new product coming on line, owners are finding it necessary to keep their properties competitive as it relates to upgrades, amenities and finishes to attract residents and retain the ones in place.

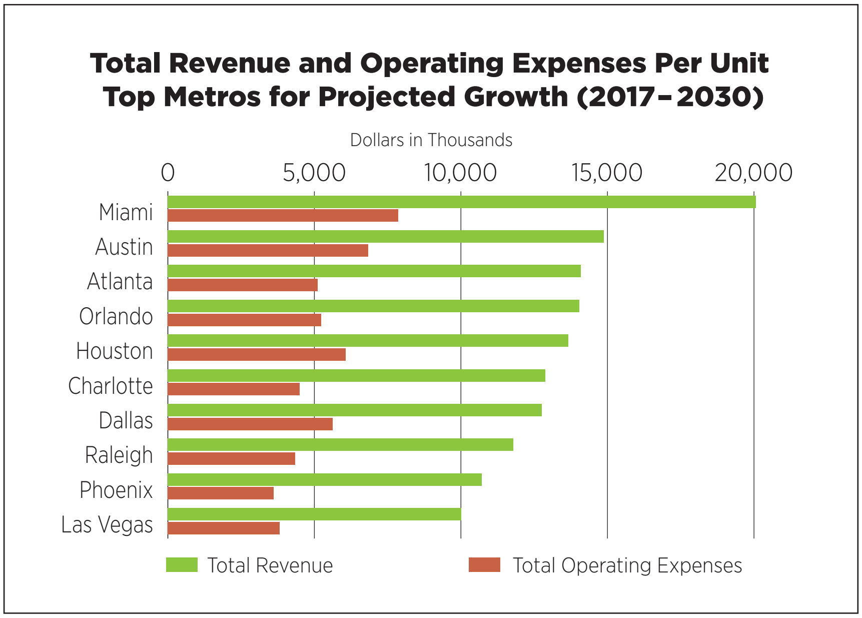
More and more residents are renewing their leases as the turnover rate dropped to its lowest level (50 percent) since recorded data are available from 2000 onwards. This corroborates recently released data from the U.S. Census Bureau, which found that Americans are moving at historically low rates. While renters have more choices in those markets delivering new supply, it more than likely is coming at a higher price tag. Some churn is certainly good for owners in terms of being able to push rents, but high turnover rates not only equal lost rent revenue on empty apartments, but increased costs for marketing, maintenance and potentially capital improvements.

Metro Area Survey Results

Income and expenses information on apartment properties in 90 metropolitan areas are covered in the full report. For this analysis, emphasis is placed on the top metro markets forecast for growth over the next 14 years, based on the percent increase in apartments: Raleigh, Orlando, Austin, Charlotte, Las Vegas, Phoenix, Dallas, Miami, Atlanta and Houston. Based on forecasted demand, the number of apartments in these areas will swell by 35 percent or more through 2030.

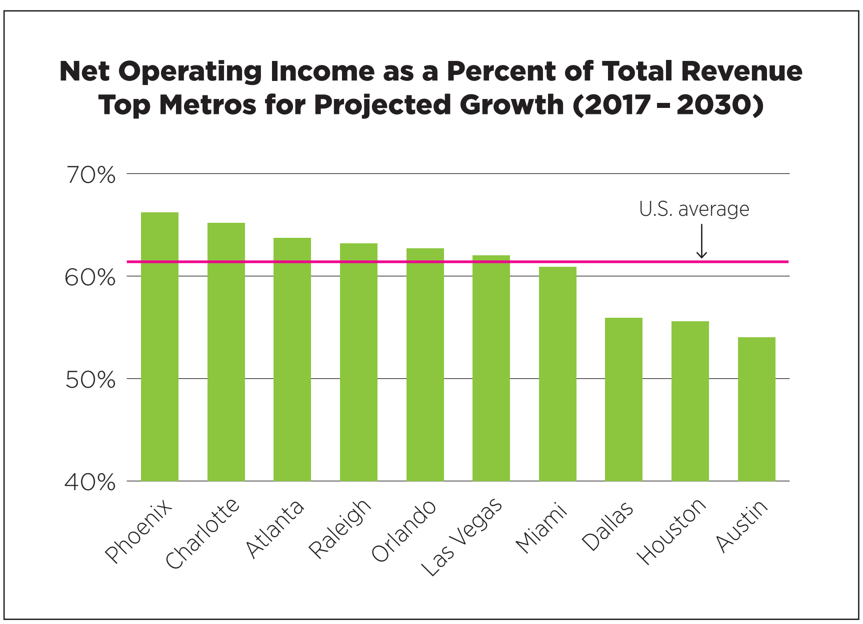
Total revenue per unit ranged from $10,000 in Las Vegas to $20,000 in Miami. Like Miami, Austin, Atlanta and Orlando reported higher revenues than the national average of $13,900. Orlando and Atlanta also placed well on the other side of the income statement, that is, lower-than-average operating expenses, along with Charlotte, Raleigh, Las Vegas and Phoenix.

In an effort to compare profitability across these markets, understanding that some important financial components such as debt service are not included in the



SOURCE: NAA 2017 SURVEY OF OPERATING INCOME & EXPENSES; MARKET RATE, INDIVIDUAL METERED AND RECOVERY SYSTEM PROPERTIES; HOYT ADVISORY SERVICES

survey, a ratio of net operating income to total revenue was analyzed. Phoenix, Charlotte and Atlanta came out on top, although the majority of these markets performed better than the national average of 61.5 percent. The higher the ratio, the greater operating efficiencies are being achieved. At the bottom rung are cities in Texas, all of which have one thing in common: the percentage of expenses due to property taxes is well above the national average. Property taxes comprise more than 50 percent of operating expenses in Austin, compared to 32.4 percent nationally for all apartment types. In 2016, Houston was also plagued on the revenue side, having some of the highest losses to vacancy and concessions as it worked its way through the oil downturn.



SOURCE: NAA 2017 SURVEY OF OPERATING INCOME & EXPENSES; MARKET RATE, INDIVIDUAL METERED AND RECOVERY SYSTEM PROPERTIES; HOYT ADVISORY SERVICES

Summary

On the operations and management side, there is much to keep industry leaders awake at night: the velocity and intensity of change, mainly driven by technology, the aging of the rental housing workforce and its residents, the lack of available talent in the labor market and data security.

The aging of residents raises issues of not only physical design like wider hallways, but larger floor plans as well as targeted amenities. As apartment industry employers, a rigorous focus on training and apprentice programs, partnerships with universities, and succession plans for future leadership roles will be key.

The rise in apartment living as a lifestyle choice has resulted in an increasingly diversified resident base. Coupled with the fact that real estate has always been a local business means operating strategies, including revenue management, often must be implemented at the asset level.

The industry is not without its challenges. But with demand for apartments expected to continue unabated, and a mature, disciplined market that is progressively balanced, the rewards promise to outweigh the obstacles.

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About the Survey

The survey was conducted, compiled and tabulated by CEL & Associates, Inc. Special thanks to Janet Gora, Managing Director, CEL & Associates, Inc.; and Paul Yoon, Research Analyst, NAA. A total of 4,286 properties containing 1,082,457 units are represented in this year's report covering financials from 2016.

Data were reported for 3,637 market-rent properties containing 980,030 units and 649 subsidized properties containing 102,427 units. Information for student housing, a new addition to the 2017 survey, was collected for 73 properties and 44,070 beds. (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 80 percent of the market-rent properties and 63.9 percent of the subsidized properties. References to statistics within the analysis typically refer to total market-rate, individual meter 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 273 units in 2016 (276 in 2015), and 161 units in subsidized properties in 2016 (166 in 2015). Rentable floor area averaged 931 square feet (934 in 2015) for market-rent apartments and 899 square feet (869 in 2015) for the subsidized units.

The full report (available at www.naahq.org/17ies) contains detailed data summarized for NAA's 10 geographic regions, and 90 metropolitan areas met the separate reporting criteria for market-rent properties. Sufficient numbers of subsidized properties were submitted for 25 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 24 states and for subsidized properties in 17 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 for the expanded segmentation areas represents those properties that reported detail. Those that did not were reported as "other."

All Market Rent Properties Operating Income & Expense Data

Individual Metered and Recovery System Properties*

	Total			Garden			Mid- & High-Rise		
Number of Properties		3,428			2,910			518	
Number of Units		937,431			799,702			137,729	
Avg. No. of Units/Property		273			275			266	
Avg. No. of Square Feet/Unit		931			935			904	
Turnover rate in %		50%			50%			49%	
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	14,260	15.32	100.0%	13,190	14.10	100.0%	20,467	22.64	100.0%
Rent Revenue Collected	13,169	14.15	92.4%	12,209	13.05	92.6%	18,743	20.73	91.6%
Losses to Vacancy	852	0.91	6.0%	759	0.81	5.8%	1,387	1.53	6.8%
Collection Losses	90	0.10	0.6%	90	0.10	0.7%	88	0.10	0.4%
Losses to Concessions	149	0.16	1.0%	132	0.14	1.0%	249	0.28	1.2%
Other Revenue	772	0.83	5.4%	698	0.75	5.3%	1,199	1.33	5.9%
Total Revenue	**13,941**	**14.98**	**97.8%**	**12,908**	**13.80**	**97.9%**	**19,942**	**22.06**	**97.4%**
Operating Expenses									
Salaries and Personnel	1,338	1.44	9.4%	1,278	1.37	9.7%	1,688	1.87	8.2%
Insurance	236	0.25	1.7%	226	0.24	1.7%	293	0.32	1.4%
Taxes	1,741	1.87	12.2%	1,529	1.64	11.6%	2,968	3.28	14.5%
Utilities	345	0.37	2.4%	316	0.34	2.4%	518	0.57	2.5%
Management Fees	395	0.42	2.8%	359	0.38	2.7%	603	0.67	2.9%
Administrative	272	0.29	1.9%	252	0.27	1.9%	388	0.43	1.9%
Marketing	188	0.20	1.3%	160	0.17	1.2%	350	0.39	1.7%
Contract Services	392	0.42	2.7%	354	0.38	2.7%	610	0.68	3.0%
Repair and Maintenance	462	0.50	3.2%	454	0.49	3.4%	508	0.56	2.5%
Total Operating Expenses	**5,369**	**5.77**	**37.7%**	**4,929**	**5.27**	**37.4%**	**7,926**	**8.77**	**38.7%**
Net Operating Income	**8,572**	**9.21**	**60.1%**	**7,978**	**8.53**	**60.5%**	**12,016**	**13.29**	**58.7%**
Capital Expenditures	**1,478**	**1.59**	**10.4%**	**1,473**	**1.57**	**11.2%**	**1,509**	**1.67**	**7.4%**

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

Source : National Apartment Association 2017 Survey of Operating Income & Expenses in Rental Apartment Communities

All Market Rent Properties Operating Income & Expense Data

Master Metered Properties*

	Total			Garden			Mid- & High-Rise		
Number of Properties		209			155			54	
Number of Units		42,599			32,197			10,402	
Avg. No. of Units/Property		204			208			193	
Avg. No. of Square Feet/Unit		868			897			779	
Turnover rate in %		43%			44%			39%	
	$ 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	14,938	17.21	100.0%	14,045	15.67	100.0%	17,700	22.73	100.0%
Rent Revenue Collected	13,916	16.04	93.2%	13,157	14.67	93.7%	16,267	20.89	91.9%
Losses to Vacancy	795	0.92	5.3%	707	0.79	5.0%	1,065	1.37	6.0%
Collection Losses	100	0.12	0.7%	88	0.10	0.6%	138	0.18	0.8%
Losses to Concessions	127	0.15	0.8%	93	0.10	0.7%	230	0.30	1.3%
Other Revenue	742	0.86	5.0%	695	0.77	4.9%	891	1.14	5.0%
Total Revenue	**14,659**	**16.89**	**98.1%**	**13,851**	**15.45**	**98.6%**	**17,158**	**22.03**	**96.9%**
Operating Expenses									
Salaries and Personnel	1,500	1.73	10.0%	1,390	1.55	9.9%	1,839	2.36	10.4%
Insurance	277	0.32	1.9%	230	0.26	1.6%	422	0.54	2.4%
Taxes	1,280	1.47	8.6%	1,159	1.29	8.3%	1,653	2.12	9.3%
Utilities	963	1.11	6.4%	875	0.98	6.2%	1,234	1.58	7.0%
Management Fees	566	0.65	3.8%	522	0.58	3.7%	702	0.90	4.0%
Administrative	304	0.35	2.0%	249	0.28	1.8%	471	0.61	2.7%
Marketing	171	0.20	1.1%	158	0.18	1.1%	212	0.27	1.2%
Contract Services	507	0.58	3.4%	408	0.45	2.9%	814	1.05	4.6%
Repair and Maintenance	647	0.75	4.3%	584	0.65	4.2%	843	1.08	4.8%
Total Operating Expenses	**6,214**	**7.16**	**41.6%**	**5,575**	**6.22**	**39.7%**	**8,191**	**10.52**	**46.3%**
Net Operating Income	**8,445**	**9.73**	**56.5%**	**8,276**	**9.23**	**58.9%**	**8,967**	**11.52**	**50.7%**
Capital Expenditures	**2,095**	**2.41**	**14.0%**	**2,125**	**2.37**	**15.1%**	**2,001**	**2.57**	**11.3%**

* *Master Meter Owner Paid for primary utility.*

Source : National Apartment Association 2017 Survey of Operating Income & Expenses in Rental Apartment Communities

Individual Metered and Recovery System Properties*

	Total			Garden			Mid- & High-Rise		
Number of Properties		485			415			70	
Number of Units		78,113			65,051			13,062	
Avg. No. of Units/Property		161			157			187	
Avg. No. of Square Feet/Unit		899			909			847	
Turnover rate in %		31%			31%			31%	
	$ 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	12,294	13.68	100.0%	11,635	12.80	100.0%	15,574	18.39	100.0%
Rent Revenue Collected	11,594	12.90	94.3%	10,985	12.08	94.4%	14,630	17.27	93.9%
Losses to Vacancy	544	0.60	4.4%	503	0.55	4.3%	747	0.88	4.8%
Collection Losses	108	0.12	0.9%	104	0.11	0.9%	124	0.15	0.8%
Losses to Concessions	48	0.05	0.4%	43	0.05	0.4%	73	0.09	0.5%
Other Revenue	500	0.56	4.1%	435	0.48	3.7%	826	0.98	5.3%
Total Revenue	12,094	13.46	98.4%	11,419	12.56	98.1%	15,456	18.25	99.2%
Operating Expenses									
Salaries and Personnel	1,437	1.60	11.7%	1,405	1.55	12.1%	1,596	1.88	10.2%
Insurance	283	0.31	2.3%	285	0.31	2.4%	272	0.32	1.7%
Taxes	881	0.98	7.2%	782	0.86	6.7%	1,375	1.62	8.8%
Utilities	694	0.77	5.6%	681	0.75	5.9%	757	0.89	4.9%
Management Fees	547	0.61	4.4%	548	0.60	4.7%	541	0.64	3.5%
Administrative	430	0.48	3.5%	409	0.45	3.5%	536	0.63	3.4%
Marketing	103	0.11	0.8%	95	0.10	0.8%	143	0.17	0.9%
Contract Services	437	0.49	3.6%	417	0.46	3.6%	536	0.63	3.4%
Repair and Maintenance	564	0.63	4.6%	555	0.61	4.8%	606	0.72	3.9%
Total Operating Expenses	**5,375**	**5.98**	**43.7%**	**5,177**	**5.69**	**44.5%**	**6,362**	**7.51**	**40.8%**
Net Operating Income	**6,719**	**7.48**	**54.7%**	**6,242**	**6.87**	**53.7%**	**9,095**	**10.74**	**58.4%**
Capital Expenditures	**962**	**1.07**	**7.8%**	**929**	**1.02**	**8.0%**	**1,127**	**1.33**	**7.2%**

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

Source : National Apartment Association 2017 Survey of Operating Income & Expenses in Rental Apartment Communities

All Subsidized Properties Operating Income & Expense Data

Master Metered Properties*

	Total			Garden			Mid- & High-Rise		
Number of Properties		164			104			60	
Number of Units		24,314			14,324			9,990	
Avg. No. of Units/Property		148			138			167	
Avg. No. of Square Feet/Unit		769			819			698	
Turnover rate in %		19%			19%			19%	
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	13,406	17.43	100.0%	12,262	14.97	100.0%	15,047	21.56	100.0%
Rent Revenue Collected	12,858	16.72	95.9%	11,684	14.27	95.3%	14,541	20.83	96.6%
Losses to Vacancy	407	0.53	3.0%	400	0.49	3.3%	417	0.60	2.8%
Collection Losses	98	0.13	0.7%	127	0.16	1.0%	56	0.08	0.4%
Losses to Concessions	43	0.06	0.3%	51	0.06	0.4%	33	0.05	0.2%
Other Revenue	508	0.66	3.8%	414	0.51	3.4%	643	0.92	4.3%
Total Revenue	**13,366**	**17.38**	**99.7%**	**12,098**	**14.77**	**98.7%**	**15,183**	**21.75**	**100.9%**
Operating Expenses									
Salaries and Personnel	1,809	2.35	13.5%	1,766	2.16	14.4%	1,871	2.68	12.4%
Insurance	287	0.37	2.1%	264	0.32	2.2%	319	0.46	2.1%
Taxes	923	1.20	6.9%	807	0.99	6.6%	1,089	1.56	7.2%
Utilities	1,347	1.75	10.0%	1,264	1.54	10.3%	1,466	2.10	9.7%
Management Fees	648	0.84	4.8%	606	0.74	4.9%	707	1.01	4.7%
Administrative	558	0.73	4.2%	534	0.65	4.4%	593	0.85	3.9%
Marketing	80	0.10	0.6%	78	0.10	0.6%	81	0.12	0.5%
Contract Services	703	0.91	5.2%	656	0.80	5.4%	769	1.10	5.1%
Repair and Maintenance	614	0.80	4.6%	582	0.71	4.7%	661	0.95	4.4%
Total Operating Expenses	**6,968**	**9.06**	**52.0%**	**6,558**	**8.01**	**53.5%**	**7,557**	**10.83**	**50.2%**
Net Operating Income	**6,398**	**8.32**	**47.7%**	**5,541**	**6.77**	**45.2%**	**7,626**	**10.93**	**50.7%**
Capital Expenditures	**948**	**1.23**	**7.1%**	**964**	**1.18**	**7.9%**	**927**	**1.33**	**6.2%**

* *Master Meter Owner Paid for primary utility.*

Source : National Apartment Association 2017 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	188	14,562	$9.54	$5.72	35.9	28.4	10.5%	17.5%
100 to 199 Units	688	103,286	$9.15	$5.43	39.9	36.1	10.9%	18.4%
200 to 299 Units	941	230,638	$9.89	$6.08	42.6	40.8	10.1%	16.4%
300 to 399 Units	643	217,789	$10.33	$6.42	45.4	44.1	9.7%	15.6%
400 to 499 Units	276	121,905	$10.55	$6.69	46.3	45.5	9.5%	15.0%
500 or More Units	174	111,522	$10.67	$6.66	47.4	46.5	9.4%	15.0%
Total	**2,910**	**799,702**	**$10.10**	**$6.24**	**44.0**	**42.0**	**9.9%**	**16.0%**

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 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 (ex. snow removal, and other services provided on a contract basis). Trash removal is not included here.

Gross Potential Revenue Residential. Total rents of all occupied units at 2016 lease rates and all vacant units at 2016 market rents (or fiscal year end).

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. (ex. locator fees, signage, model expense, etc.) NOTE: rent concessions are not included.

Net Commercial Square Footage. Total rentable square feet of commercial floor space.

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 specifically listed above. (ex. 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 Commercial. Total rent collections for commercial space after vacancy/administrative, bad debt and discount or concession losses.

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 vacancies and other use of units, such as models and offices.

Subsidized Property. A property has controlled rents through a government subsidized program. (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.

Thank You to Our Participating Companies

NAA sends a special note of appreciation to the over 200 firms who donated their time to accumulate the data necessary to make this survey valuable. The following companies and their officers provided 20 properties or more for the 2017 Survey of Operating Income & Expenses in Rental Apartment Properties.

Adara Communities
Advanced Management Co.
ALCO Management
Allied Orion Group
AMLI Residential
Beacon Communities
Bell Partners
Berkshire Communities
Beztak Properties
BH Management Services
Blue Ridge Property Mgmt.
Buckingham Companies
Camden
ConAm Management Corp.
Cortland Partners
Cottonwood Residential
DEI Communities
Dolben
Drucker & Falk
ECI Management
Fairway Management
Fogelman Management Group
Forest City
Gables Residential
Ginkgo Residential
Greystar
HallKeen Management
Harbor Group International
Integral
IRET
JCM Partners
Konover Residential Corporation
Legacy Partners
LumaCorp
MAA
MC Residential
MEB Management Services
MG Properties Group
Milestone Management
Monogram Residential Trust
MV Residential Property Mgmt.
NALS Apartment Homes
Nolan Real Estate Services
Olympus Property
Palms Associates
Pegasus Residential
Pinnacle
Prime Residential
Simpson Housing
Van Metre Companies
Venterra Realty
Village Green Management Co.
Waterton
WC Smith
Weinstein Properties
Western National Property Mgmt.