New 2016 CAM Financial Terms and Formulas Quick Guide

Term	Acronym	Formula/Definition
Accrual Accounting		Records all income and expenses in the period they were earned or incurred, regardless of when the income was received or expenses were paid
Amount of Rent Increase		**Average Effective Rent for Renewal – Average Effective Rent on Previous Lease**
Annualization		**Average of actual months of expenses (or income) ÷ number of months reported x 12**
Average Effective Rent		**TRR ÷ Units Occupied** calculates the property average rent per presently occupied units at lease rates
Bad Debt		Uncollected rental income due to non-payment
Breakeven Occupancy Ratio		**(OE + DS +RR) ÷ EGI** Calculates the occupancy needed to pay all operating expenses, debt service and any replacement reserves
Breakeven Rent Per Square Foot		**(OE + DS + RR) ÷ Total Property Square Feet** calculates the cost per square foot to pay all operating expenses, debt service and any replacement reserves
Capital Expense	**CE**	Costs for large improvements like appliances, HVAC equipment, roofing, etc
Capitalization Rate	**Cap Rate**	**NOI ÷ Purchase Price = Cap Rate** A rate of return that reflects the investor's desired ROI. The cap rate may be determined in three ways: NOI/Cap Rate = Value, NOI/Value = Cap Rate, Value*Cap Rate = NOI
Cash Accounting		Records all income and expenses when they are actually received or paid
Cash Flow	**CF**	**NOI – DS – CE – RR = CF** The amount remaining after all sources of income are collected and all property operating expenses, including capital expenditures and/or replacement reserves and debt service are paid
Cash on Cash Return		**Cash Flow ÷ Down Payment (or Initial Equity) = Cash on Cash Return** Measures the amount of cash earned against the original cash invested
Debt Service	**DS**	The loan or mortgage payment. It covers the interest on and retirement of an outstanding principal on a mortgage loan
Effective Gross Income	**EGI**	**GPR – VAC = TRR + OI = EGI** Total revenue for the property

Effective Market Rent		**(Monthly Market Rent x # of months in lease - total concessions) ÷ # of months in lease** Identifies the average rent per unit less any concession value
Extrapolation		Use of projections into the future that presume a continuation of known data to plan future response
Gross Potential Income	**GPI**	**Occupied Units x Average Leased Rent + Vacant Units x Average Market Rent = GPI**
Gross Potential Rent	**GPR**	**Total Units x Average Market Rent = GPR**
Leased Percentage		**Leased Units ÷ Total Units** The portion or ratio of total units that are covered by a lease
Leased Units		**Total Units – Vacant Units – Notices to Vacate + Vacant Units Leased + Notices to Vacate Preleased** Identifies the total number of units covered by active leases as well as future leases. Reflects an occupancy trend
Net Operating Income	**NOI**	**EGI – OE = NOI** The total revenue that remains after all operating expenses, but before mortgage debt service and capital expenditures (or replace reserve payments) are deducted
Operating Expense	**OE**	(given on Operating Statement) The total expenses, fixed and variable, to operate the property. Does not include capital items.
Operating Expense Ratio	**OER**	**OE ÷ EGI = OER** The percentage of revenue used to pay operating expenses.
Percent Renewal Increase		**Amount of Increase ÷ Previous Lease Rent** Measures the amount of the increase as a portion of the old or previous rent
Property Valuation		The process of determining the value of a property. The three most often used formulas as Cost Approach, Market Comparison and Income Approach. Note the Income Approach is shown
Replacement Reserve	**RR**	May be included in capital expenditures. The account used to set aside money for anticipated future expenses or large projects
Return on Investment	**ROI**	Return/Investment=Return on Investment. The benefit to the investor resulting from an investment
Total Rent Revenue	**TRR**	**GPR – VAC = TRR** Total rent and only rent collected, also known as net rental income
Turnover Ratio		**Total Number of Move-Outs ÷ Total Number of Units** the total number of move-outs for a given period divided by the total apartment units
Vacancy/Collection Loss	**VAC**	Vacancy, Collection Loss, Non-Revenue Units, Concessions