<table>
<thead>
<tr>
<th>Term</th>
<th>Acronym</th>
<th>Formula/Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrual Accounting</td>
<td>R</td>
<td>Records all income and expenses in the period they were earned or incurred, regardless of when the income was received or expenses were paid</td>
</tr>
<tr>
<td>Amount of Rent Increase</td>
<td></td>
<td><strong>Average Effective Rent for Renewal</strong> – <strong>Average Effective Rent on Previous Lease</strong></td>
</tr>
<tr>
<td>Annualization</td>
<td></td>
<td><strong>Average of actual months of expenses (or income) ÷ number of months reported x 12</strong></td>
</tr>
<tr>
<td>Average Effective Rent</td>
<td></td>
<td><strong>TRR ÷ Units Occupied</strong> calculates the property average rent per presently occupied units at lease rates</td>
</tr>
<tr>
<td>Bad Debt</td>
<td></td>
<td>Uncollected rental income due to non-payment</td>
</tr>
<tr>
<td>Breakeven Occupancy Ratio</td>
<td></td>
<td><strong>(OE + DS + RR) ÷ EGI</strong></td>
</tr>
<tr>
<td>Breakeven Rent Per Square Foot</td>
<td></td>
<td><strong>(OE + DS + RR) ÷ Total Property Square Feet</strong> calculates the cost per square foot to pay all operating expenses, debt service and any replacement reserves</td>
</tr>
<tr>
<td>Capital Expense</td>
<td>CE</td>
<td>Costs for large improvements like appliances, HVAC equipment, roofing, etc</td>
</tr>
<tr>
<td>Capitalization Rate</td>
<td>Cap Rate</td>
<td><strong>NOI ÷ Purchase Price = Cap Rate</strong> 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</td>
</tr>
<tr>
<td>Cash Accounting</td>
<td></td>
<td>Records all income and expenses when they are actually received or paid</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>CF</td>
<td><strong>NOI – DS – CE – RR = CF</strong> 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</td>
</tr>
<tr>
<td>Cash on Cash Return</td>
<td></td>
<td><strong>Cash Flow ÷ Down Payment (or Initial Equity) = Cash on Cash Return</strong> Measures the amount of cash earned against the original cash invested</td>
</tr>
<tr>
<td>Debt Service</td>
<td>DS</td>
<td>The loan or mortgage payment. It covers the interest on and retirement of an outstanding principal on a mortgage loan</td>
</tr>
<tr>
<td>Effective Gross Income</td>
<td>EGI</td>
<td><strong>GPR – VAC = TRR + OI = EGI</strong> Total revenue for the property</td>
</tr>
<tr>
<td>Term</td>
<td>Formula/Description</td>
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<td>-------------------------------</td>
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</tr>
</tbody>
</table>
| Effective Market Rent        | \[
\text{Effective Market Rent} = \left( \frac{\text{Monthly Market Rent} \times \text{# of months in lease} - \text{total concessions}}{\text{# of months in lease}} \right)
\]
Identifies the average rent per unit less any concession value.

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<th>Extrapolation</th>
<th>Use of projections into the future that presume a continuation of known data to plan future response.</th>
</tr>
</thead>
</table>
| Gross Potential Income       | \[
\text{Gross Potential Income (GPI)} = \text{Occupied Units} \times \text{Average Leased Rent} + \text{Vacant Units} \times \text{Average Market Rent} = \text{GPI}
\]

| Gross Potential Rent         | \[
\text{Gross Potential Rent (GPR)} = \text{Total Units} \times \text{Average Market Rent} = \text{GPR}
\]

| Leased Percentage            | \[
\text{Leased Percentage} = \frac{\text{Leased Units}}{\text{Total Units}}
\]
The portion or ratio of total units that are covered by a lease.

| Leased Units                 | \[
\text{Leased Units} = \text{Total Units} - \text{Vacant Units} - \text{Notices to Vacate} + \text{Vacant Units} = \text{Leased + Notices to Vacate Preleased}
\]
Identifies the total number of units covered by active leases as well as future leases. Reflects an occupancy trend.

| Net Operating Income         | \[
\text{Net Operating Income (NOI)} = \text{EGI} - \text{OE}
\]
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            | \[
\text{Operating Expense (OE)} = \text{given on Operating Statement}
\]
The total expenses, fixed and variable, to operate the property. Does not include capital items.

| Operating Expense Ratio      | \[
\text{Operating Expense Ratio (OER)} = \frac{\text{OE}}{\text{EGI}} = \text{OER}
\]
The percentage of revenue used to pay operating expenses.

| Percent Renewal Increase     | \[
\text{Percent Renewal Increase} = \frac{\text{Amount of Increase}}{\text{Previous Lease Rent}}
\]
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         | \[
\text{Replacement Reserve (RR)} = \text{May be included in capital expenditures. The account used to set aside money for anticipated future expenses or large projects}
\]

| Return on Investment        | \[
\text{Return on Investment (ROI)} = \text{Return/Investment=Return on Investment.}
\]
The benefit the investor resulting from an investment.

| Total Rent Revenue          | \[
\text{Total Rent Revenue (TRR)} = \text{GPR} - \text{VAC} = \text{TRR}
\]
Total rent and only rent collected, also known as net rental income.

| Turnover Ratio              | \[
\text{Turnover Ratio} = \frac{\text{Total Number of Move-Outs}}{\text{Total Number of Units}}
\]
The total number of move-outs for a given period divided by the total apartment units.

| Vacancy/Collection Loss     | \[
\text{Vacancy/Collection Loss (VAC)} = \text{Vacancy, Collection Loss, Non-Revenue Units, Concessions}
\]