

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 # of 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