CAM V2 Financial Terms and Formulas Quick Guide

CERTIFIED APARTMENT MANAGER®

Term	Acronym	Formula/Definition
Acceptable Accounts Ratio		**Positive Trade Lines ÷ (Positive Trade Lines + Negative Trade Lines) = Acceptable Accounts Ratio** Acceptable Accounts Ratio is a % of positive trade lines to all trade lines and is set as a threshold by a company. Positive trade lines are accounts that don't have negative information (such as late payments)
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		**New Renewal Rent – Previous Lease Rent**
Annualization		**YTD total expenses (or income) ÷ number of months reported x 12.** The process of converting YTD actual expense or income to an annual estimate**.**
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
Bonus Value Conversion to Hourly Rate		**Total Bonus for the Period ÷ Hours in the Period = Bonus Value per Hour** Converts nondiscretionary bonus or commission values to an hourly rate for adding to the regular rate for overtime
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 (Value) = 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

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Cash Flow	**CF**	**GMR – LtL = GPR – (Vacancy + Bad Debt + Concessions + None-Revenue Units) = TRR + OI = EGI** **EGI – OE = 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
Cost of Lead		**Market Source Spend per Period ÷ Leads per Period** Cost per lead is typically the average cost of each lead generated. It is calculated by taking marketing spend and dividing it by the number of leads generated.
Cost of Lease to Traffic		**Market Source Spend per Period ÷ Leases per Period** Cost per lease is typically the average cost of each lease signed. It is calculated by taking marketing spend and dividing it by the number of leases signed.
Debt to Income Ratio		**Total Amount of all Debts ÷ Annual Income = Debt to Income Ratio** This measures the entire amount of debt already outstanding against annual income to meet a property standard for approval when completing a lease application
Debt Service	**DS**	The loan or mortgage payment. It covers the interest on and retirement of an outstanding principal on a mortgage loan
Economic Occupancy	**TRR/GPR**	Economic occupancy indicates what percentage of the rental revenue that a property could be taking in is actually being realized
Effective Gross Income	**EGI**	**GMR – LtL = GPR – (Vacancy +Bad Debt +Concessions +Non-Revenue Units) = 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 Rent	**GPR**	**Occupied Units x Average Leased Rent + Vacant Units x Average Market Rent = GPR**
Gross Market Rent	**GMR**	**Total Units x Market Rent = GMR**

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Housing Value Conversion to Hourly Rate		**Total free of discounted housing value for the Period ÷ Hours in the Period = Housing Value per Hour** Converts eligible discounted or free staff housing value to an hourly rate for adding to the regular rate for overtime
Leased Percentage		**Total Units Leased ÷ Total Units = Percent Units Leased** The portion or ratio of total units that are covered by a lease
Leased Units		**Total Units – Vacant Units – Units on Notice to Vacate + Vacant Units Preleased + Units on Notice Preleased = Total Units Leased** Identifies the total number of units covered by active leases as well as future leases. Reflects an occupancy trend
Net Effective Rent		**((Market Rent × # of Months in Lease) – Total Concessions) ÷ # Months in Lease = Net Effective Rent** The amount of rent actually collected per the lease
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**	The total expenses, fixed and variable, to operate the property. Does not include capital items, reserves or debt service.
Operating Expense Ratio	**OER**	**OE ÷ EGI = OER** The percentage of all 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.
Rent to Income Ratio		**Monthly Income ÷ Monthly Rent = Rent to Income Ratio** Rent to Income ratio is calculated by dividing monthly rent by monthly income and must meet a property standard such as Income must be 3 times the rent
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**	**GMR – LtL = GPR – (Vacancy + Bad Debt + Concessions + Non-Revenue Units) = 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