

HOW TO USE THE PRINTED REPORT

The “hard copy” version of *The Apartment Expense Report* provides users with three ways to study income and expenses:

1. Trend analyses for each line-item (see Expense and Income tabs), showing the annual change in line-item costs over a number of years;
2. The tables in the body of the report, which provide actual annual data and ranges;
3. Tables of list cases at the back of each tabbed section, showing line-items for each property in the sample;

Using all of these features, you will be able to develop a useful benchmark for line item income and expenses for your properties. You will also be able to determine trends, which will improve your forecasts.

ON-LINE SERVICE

In addition to these features, subscribers to *The Apartment Expense Report* also have access to a powerful tool, the *On-Line Service*.

This service includes four password protected, downloadable interactive tools to make

apartment property analyses easier than ever before. See page 7 for details on *e-Book '02, Expense Compiler '02, Reserve Estimator, and Trend Builder '02.*

Using the Expense Report

We recognize each property is unique. Even so, the report provides a solid basis for benchmarking operating expenses for any property you study. In addition, detailed trend analyses provide a foundation for developing useful line-item forecasts.

The significant advantage of this report is that by analyzing a large pool of properties with long-term trend data, normal variations in costs from year to year or property to property are smoothed. That makes it a valuable resource for benchmarking your property’s recent performance and forecasting what will happen next.

We present a detailed trend analysis for each line-item of expense, under the *Expense Item Increases* tab. The trends put current numbers in perspective, and they provide a basis for forecasting line-item operating costs.

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DATA TABLES

The data tables are organized by age group. Table heading shows what age group, geographic area, and property size are included in the totals.

Tip
Use all the measures, including the “low” and “high.” The range between these two indicators shows the cost range for 50% of the properties. It also means 25% of the properties spent more than the “high” total.

Table: All Age Groups All Counties 100+ Unit Buildings						
	Total Surveyed Buildings	Unit	Low ¹	Median	Average	High ²
PHYSICAL						
Property Size (units)	239	48,030	124	175	201	241
Unit Size (nrst)	239	48,030	758	800	850	914
INCOME						
Effective Apt Income/Unit/Yr	239	48,030	\$6,791	\$7,969	\$8,328	\$9,254
Other Income/Unit/Year ³	239	48,030	\$250	\$331	\$374	\$458
Effective Gross Income/Unit/Yr	239	48,030	\$6,998	\$8,312	\$8,702	\$9,741
EXPENSES						
Real Estate Taxes: \$/unit	223	44,978	\$506	\$650	\$647	\$761
% Eff Gross Income	223	44,978	6.5%	7.5%	7.3%	8.4%
Insurance /unit	226	45,700	\$70	\$84	\$99	\$108
Utilities /unit	239	48,030	\$568	\$658	\$663	\$740
Heat /unit	10	1,626	\$93	\$138	\$171	\$184
Cable /unit	9	1,808	\$118	\$127	\$146	\$148
Resident Management:/unit	239	48,030	\$383	\$441	\$464	\$519

Expenses Per Unit Per Year (Exclusive of Capital Expenditures)

Year	Expense (\$)
1997	~\$3,050
1998	~\$3,150
1999	~\$3,250
2000	~\$3,350
2001	~\$3,400

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For most line-items, we went back to 1991.

We also present similar trend analyses for the various components of income. This trend analysis is behind the *Other Income Items* tab. We had not collected data on scheduled gross income until six years ago, so this section is generally limited to seven years of data.

Newer construction

If you are interested in the operating costs for only the youngest properties in the region, look at the tables for 1994 and newer construction.

These tables detail 2001 line-item operating expenses for properties that began leasing between 1994 and the end of 2000. If a property began leasing in 2001 it would have less than twelve full months of operation, so we excluded 2001 construction.

High-rise and mid-rise

This year's edition of the report also includes tables for high-rise and mid-rise properties. See the "All cases" tab.

"Expense Disk"

Expense Compiler '02 replaces *Expense Disk*, which was included with the printed report in the past few years.

Available only to subscribers to *The Apartment Expense Report*, this interactive tool can be downloaded from the password protected *On-Line Services* section of our web site.

It presents line item operating costs for each of the properties in this survey. It also presents basic property physical, size and location characteristics, without disclosing any individual property's identity.

Expense Compiler '02 is formatted for Excel 2002, Excel 97 and Excel 5.0 for Windows. You can use *Expense Compiler '02* to select the best comparables for your analysis based on property size range, location, age or any combination of these or other factors.

With very limited information about a property, the *Expense Compiler '02* will create a proforma statement with line-item expenses tailored to the age, size, and location

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LIST CASES

The "List Cases" tables are located behind data tables in each age-group section of the report. These tables show the line-item income and cost per unit for each property analyzed for this report.

Tip
Select the best comparable for your property based on the average unit size, real estate taxes (as a rough measure of value per unit), or other factors.

THE APARTMENT EXPENSE REPORT	Vol. 10	March 2002																					
Table: List Cases																							
Area: King County																							
Age Group: 1965 - 1974																							
Complex Size: 100+ Units																							
PHYSICAL																							
Area	K-C	K-C	K-C	K-E	K-E	K-E	K-E	K-S	K-S	K-S	K-S	K-S	K-S	K-S	K-S	K-S	K-S	K-S	K-S				
Unit Size (nrsf)	900	700	700	1000	900	800	600	700	800	800	900	700	800	700	500	700	700	600	600	300			
INCOME/ UNIT/ YEAR																							
Effective Apt Income	10,245	7,969	8,836	9,782	8,462	7,822	7,115	6,995	6,650	7,383	7,544	6,397	6,675	6,532	6,606	6,693	7,161	5,871	6,671	6,377	7,094	5,632	
Other Income	396	331	407	66	376	117	115	177	237	409	391	274	139	241	376	272	316	263	239	330	334	205	
Effective Gross Income	10,642	8,300	9,243	9,848	8,838	7,939	7,231	7,163	6,887	7,792	7,935	6,671	6,814	6,773	6,982	6,965	7,478	6,134	6,910	6,707	7,427	5,837	
EXPENSES/ UNIT/ YEAR																							
Real Estate Taxes	558	441	486	766	445	551	466	461	495	418	409	452	522	498	61	458	352	450	605				
% Eff Gross Income	5.2%	5.3%	5.3%	7.8%	5.0%	6.9%	6.8%	6.8%	6.2%	6.3%	6.0%	6.7%	7.5%	7.1%	0.8%	7.5%	5.1%	6.7%	8.1%				
Insurance	100	99	118	195	149	146	44	81	179	114	159	197	117	93	71	278	93	100	91	129	113		
Utilities	620	491	543	1,144	631	815	494	652	721	721	691	679	723	777	715	540	532	718	804	633	758	635	
Heat															96								
Cable																							
Resident Management	584	425	275	521	464	409	522	397	269	443	468	471	419	444	459	315	422	394	453	296	376		

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of the property. It will set up a budget for this year or next, and it takes just a few minutes.

Organization Of The Report

The Apartment Expense Report is organized under a series of tabs as follows:

- 1. How To Use This Report.** This section defines the income and expense categories used, the organization of the tables, geographical breakdowns and age breakdowns. There is a detailed discussion of the characteristics of properties built during different periods, since these variations affect operations.
- 2. Expense Item Increases.** This section includes five- to nine-year trends and discussion of each line-item of operating expenses. The information is for the region overall, so it is not meant to be used as a benchmark or comparison for any specific property in any one year. Its value is in comparing the trend in line-item operating cost changes over time to specific properties.
- 3. Other Income Items.** Overall trends for the various sources of income are detailed here. This section provides a useful benchmark for income performance over time. It also tests rent and vacancy results from our semiannual Apartment

Vacancy Report, based on the year end statements. We use this to audit the accuracy of our Vacancy Report.

- 4. All Cases & Age Group Tabs.** The body of The Apartment Expense Report is in these sections.

Behind each age group tab are two types of tables:

- **Data Tables:** line-item income and expense statistics, and
- **List Cases:** each property's line-item costs are provided, so users can select the most appropriate comparables. The properties have not been identified to maintain data confidentiality.

Tables of line-item statistics

Each table presents last year's line-item income and expense data for properties in the age-group shown by the tab. We provide the number of properties and units, so you can measure reliability as well as determine how many properties incurred each type of expense.

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HISTORICAL TRENDS

Each data table includes a table at the bottom showing the most recent six years of trends for total income and expenses.

There are also two graphs showing expenses per unit and expenses per net rentable square foot for the most recent five year period.

Tip

Compare the historical trend to your property, using the most appropriate data table. Pay more attention to the rate of change from year to year rather than the actual dollars per unit.

Trend Builder '02

Use "Trend Builder '02" in the On-Line Services to create a customized 10+ year trend analysis for any line-item, in any neighborhood, for any combination of property age group or size.

% Eff Gross Income	239	48,030	4.5%	5.4%	5.5%	6.2%
Professional Mgmt./unit	237	47,544	\$248	\$321	\$323	\$387
% Eff Gross Income	237	47,544	3.1%	3.7%	3.8%	4.2%
Office Administration /unit	237	47,549	\$65	\$88	\$96	\$118
Decorating & Turnover /unit	238	47,822	\$112	\$153	\$171	\$215
Repairs & Maintenance /unit	239	48,030	\$434	\$546	\$560	\$656
Pool & Recreation /unit	195	40,808	\$8	\$12	\$16	\$19
Elevator /unit	32	5,683	\$31	\$44	\$50	\$67
Landscaping /unit	234	47,541	\$125	\$167	\$170	\$209
Advertising /unit	237	47,541	\$104	\$149	\$150	\$218
Miscellaneous /unit	170	35,769	\$27	\$48	\$52	\$90
TOTALS: EXCLUDING CAPITAL EXPENDITURES						
Total Expenses: \$/Unit/Year	221	44,588	\$3,100	\$3,380	\$3,462	\$3,718
\$/nrst/Year	221	44,588	\$3.67	\$4.02	\$4.17	\$4.43
% Eff Gross Income	221	44,588	35.9%	39.3%	40.5%	45.2%
Net Operating Income/unit/yr	221	44,588	\$3,957	\$5,037	\$5,380	\$6,238
TOTALS: INCLUDING CAPITAL EXPENDITURES						
Capital Expenses /unit	221	47,532	\$202	\$374	\$609	\$709
Total Expenses: \$/Unit/Year	221	44,588	\$3,418	\$3,811	\$4,090	\$4,517
\$/nrst/Year	221	44,588	\$4.10	\$4.56	\$4.91	\$5.33
% Eff Gross Income	221	44,588	39.6%	46.4%	47.7%	53.6%
Net Operating Income/unit/yr	219	44,078	\$3,477	\$4,509	\$4,805	\$5,686
Historical Data-MEDIANS						
Average Unit Size	1996	1997	1998	1999	2000	2001
Eff Gross Inc: \$/Unit/Year ¹	\$6,987	\$7,279	\$7,770	\$8,094	\$8,312	\$8,312
Total Expenses: \$/Unit/Year ²	\$2,948	\$3,028	\$3,154	\$3,271	\$3,380	\$3,380
Total Expenses: \$/NRSF/yr ³	\$3.53	\$3.69	\$3.72	\$3.87	\$4.02	\$4.02
Total Exp: % Eff Gross Inc ⁴	41.4%	40.8%	39.8%	39.7%	39.3%	39.3%
No. of Cases	190	178	197	206	239	239

Expenses Per NRSF Per Year (Exclusive of Capital Expenditures)



Notes:

- ¹ The "Low" values represent the 25% quartile.
- ² The "High" values represent the 75% quartile.
- ³ "Other Income" includes laundry, parking, forfeited deposits, late fees and miscellaneous sources.
- ⁴ Please view with caution as the same buildings are not suneyed each year.
- ⁵ These totals EXCLUDE Capital Expenditures. Please view with caution as the same buildings are not suneyed each year.

Additional notes on methodology are found under the tab *Methodology*.

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The statistics present averages, median, low, and high ranges for each line-item. Each table also includes a six-year trend analysis of key items in a table and graphs, to help put current data into perspective. Additional trend analysis for each line-item is presented under the Expense and Income tabs.

Within each age-group, we include as many tables as possible, depending on the number of properties surveyed. We start with all properties, then look at smaller versus larger. Next, we present tables for smaller versus larger properties by sub-market within the region, if sufficient data exists.

Tables of list cases

These tables present last year's line-item costs for each property. Although the properties are not specifically identified, these tables are useful for selecting appropriate comparables for any property you are analyzing.

Each property listing includes information on the submarket it is in, its average unit size, average effective rental income per unit and average real estate taxes per unit. These are all measures to help you select properties that are the most comparable for your needs.

For example: If your property has an aver-

age unit size of 1,000 square feet and real estate taxes of \$900 per unit (which is a weak but useful measure – for expense analysis purposes – of potential value), you might eliminate properties with much smaller unit sizes and tax amounts.

Totals

Each data table lists how many properties and units were used to calculate each line item income and expense.

Total bottom line costs are calculated only for properties that report both real estate taxes and insurance.

Adding the individual line item totals will not equal the bottom line income or expense totals because of the calculation method discussed above and also because not all properties incur all line item charges.

It is more useful to build up your own total operating cost using the appropriate line item categories for your property.

It is also useful to look at the “low” and “high” ranges, in addition to the median or average costs. The “low” cost means that 25% of the properties spent less, and 75% spent more. The “high” means that 25% spent more and 75% less. The range between the two shows where costs fell for one-half of the properties in any particular data set. ■

TOTAL SURVEYED

Each data table shows how many buildings and units were analyzed for any age group, geography, and property size combination.

Tip
Totals are based on calculating income and expenses for only those properties that reported any line item. The “heat” expenses in this example are calculated from data provided by 10 properties.

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