

INCOME & EXPENSE CATEGORIES

We review each of the 600+ annual statements we receive for this survey and reclassify income and expenses into the following chart of accounts.

PHYSICAL

Property size

The average number of units

Unit size (nrsf)

The average net rentable square footage per unit, or nrsf. The "List Cases" tables show unit sizes grouped into 100 square foot increments to ensure the confidentiality of data. Therefore, all properties with average unit sizes between 600 and 699 sq.ft. are shown as 600 sq.ft. and so on.

INCOME

Effective Apt Income

Actual collections for the calendar year. This income category includes only apartment rental income collected.

Other income

Includes income from sources such as laundry, parking, late fees, fees from non-sufficient funds, forfeited deposits, non-refundable deposits and other miscellaneous income. Excludes interest

income, security, check charges and commercial income.

Effective gross income

The scheduled gross income, less: vacancy, collection and credit loss, plus other income. Presented as per unit per year. This is the amount of income actually received.

EXPENSES

Real estate taxes

Real property taxes. Personal property taxes are generally included in the miscellaneous category.

Insurance

Property insurance. Note that earthquake insurance is becoming more common.

Utilities

Includes water, sewer, garbage and common area/vacant unit electricity. Also included is gas if used for heating swimming pools. Owner paid central heat is not included in this category.

Heat

This category applies to buildings which use gas or oil for primary heating, and where this is paid

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INCOME & EXPENSE CATEGORIES

The report presents 32 line item income and expense categories, including totals. Each data table is organized into six major groups:

1. Physical
2. Income
3. Expenses
4. Total: Excluding Capital Expenditures
5. Totals: Including Capital Expenditures
6. Historical data

Tip

Check the "Total Surveyed" column to see how many properties and units reported income or expenses for any particular line item. A small survey size should be viewed with caution, by comparing the results for all of the measures reported: low, median, average, and high.

Also, build up your expense budget based on the line item income and expense categories that apply to you property. Use your judgment to determine which total is most appropriate given the particulars for your property, especially between low, median, and high totals.

THE APARTMENT EXPENSE REPORT				
Table: All Age Groups				
	Total Surveyed			
	Buildings	Units	Low ¹	Median
PHYSICAL				
Property Size (units)	239	48,030	124	175
Unit Size (nrsf)	239	48,030	758	843
INCOME				
Effective Apt Income/Unit/Yr	239	48,030	\$6,791	\$7,969
Other Income/Unit/Year ³	239	48,030	\$250	\$331
Effective Gross Income/Unit/Yr	239	48,030	\$6,998	\$8,312
EXPENSES				
Real Estate Taxes: \$/unit	223	44,978	\$508	\$650
% Eff Gross Income	223	44,978	6.5%	7.5%
Insurance /unit	226	45,700	\$70	\$84
Utilities /unit	239	48,030	\$568	\$658
Heat /unit	10	1,626	\$93	\$138
Cable /unit	9	1,808	\$118	\$127
Resident Management/Unit	239	48,030	\$383	\$441
% Eff Gross Income	239	48,030	4.5%	5.4%

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by the property rather than the renter.

Cable

Cable television expense if paid by the property.

Resident management

On-site management staff. Maintenance salaries and benefits appear under repairs and maintenance. We published *The Apartment Salary Report* in 2001 which provides detailed information on staffing levels for various job descriptions based on property size.

Professional management

Fees paid for professional property management, whether owner management or third-party management.

Office administration

All costs associated with operating the on-site office. Items such as telephones, fax machines, office supplies, dues and subscriptions, reasonable legal/professional/accounting costs, travel and bank service charges. Unusually high legal/professional/accounting costs are placed in "Miscellaneous."

Decorating & turnover

Cleaning/painting of unit interiors when they turnover (become vacant). Includes all contracted labor, cleaning of the unit, carpet cleaning, painting, materials, supplies, wages, payroll taxes and benefits. Unit repairs are in "Repairs & Maintenance."

Repairs & maintenance

This category accounts for all items of general repairs and maintenance. It includes wages, payroll taxes and benefits. Capital expenses (carpet/appliance replacements, exterior painting of the building, etc.) are excluded from this category. Please note for some statements, particularly smaller properties that don't detail costs, decorating and/or capital items are sometimes included in this category, although we make every effort to reclassify such items.

Pool & recreation

Maintenance and fees or permits associated with the upkeep of pools, jacuzzi and recreational areas.

Elevator

Maintenance and service contracts.

Landscaping

Cost associated with upkeep of the grounds. If

reported on the financial statement, this category also includes wages, payroll taxes and benefits.

Advertising

All costs associated with marketing the property. Model units and tenant retention expenses fall into this category. Rental concessions are deducted from scheduled gross income and are not treated as an expense.

Miscellaneous

Includes security for the property, permits, fees, licenses, equipment leases, personal property taxes, LID or other assessments, unusually high legal/professional costs, and other miscellaneous costs.

TOTALS

Total expenses

The total operating expense. Each table reports total expenses both before and after capital expenses. While capital expenses are similar to "replacement reserves" built into expense budgets for investment analysis, they are not the same.

Capital expenses reported in this study are the actual costs in the year spent. No attempt has been made to amortize these costs. Total expenses are not calculated if real estate taxes and/or insurance are not provided.

Net Operating Income

This is the income after all expenses but before any loan costs. Net operating income is presented both before and after deductions for capital expenses.

CAPITAL EXPENSES

Expenses which do not fall under the regular maintenance category. Examples of capital expenses include roof replacement, building exterior painting, appliance replacement, resurfacing of the parking lot and other major expenses incurred for the upkeep of the property.

Capital expenses are similar to replacement reserves; however this line-item reports the money actually spent in the year presented when available.

(Note: Some properties, particularly smaller buildings that are owner-managed, include costs considered capital expenses in with general repair costs. Some properties do not report capital expenses.) ■