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Financial Glossary

Accounts Payable	Expenses that have been incurred but not yet paid.
Accounts Receivable	Income that has been earned for which payments have not yet been received.
Accrual Accounting	An accounting method where your expenses and income are tracked in real time, when they occur, not when the money is received or the bills are paid.
Accrued Expense	An expense that has been incurred but has not been paid.
Analysis	An assessment of the viability, stability and profitability or review of trends and forecasts in operations.
Ancillary Income	Income created from secondary or supplemental services or products, not rent of an apartment unit.
Application Fees	Any funds received from prospective residents to process their rental applications or credit checks.
Appreciation	The increase in the value of an asset due to varying economic or inflationary conditions.
Asset Manager	A person assigned to manage or oversee a real estate investment and help direct actions that balance the risk and rewards or otherwise protect the value of the community.
Average Collected Rent Per Occupied Apartment	A measure of your average collected rent throughout the month based on true occupancy, not just a month end average.
Benchmark Data	The results of an investigation or research to determine an average level of performance of competitors in given areas.
Budget	A list of all planned expenses and income allotted for a specified period of time. A forecast of expected financial performance.
Budget Control Ledger	A powerful tool for controlling expenses, a BCL is a system used to track expenses (and possibly revenue) as compared to budget. It functions much like a check register.
Budget Reforecast	An adjusted budget based on performance that differs from what was projected in the original operating budget.
Capitalize	To convert future income to current value.
Capital Expenditure	Outlays for items that add value to the community by improving the asset. A purchase that increases the value, restores the value, or extends the life of your community.

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Capitalization Rate	A measure of rate of return to real estate investment, which is expressed as a ratio of Net Operating Income to sales price.
Cash Accounting	An accounting method where income is recognized in the month it is received and expenses are recognized in the period in which payment is made.
Cash Flow	Cash money flowing in and out of the business. Cash flow is not the same as profitability, but positive cash flow does contribute to profit.
Concessions	Free rent and specials that you give away to residents, including discounts given for both renewals and new residents. Concessions are usually a one-time discount or a short term reduction in rent.
Delinquency	Nonpayment of a debt when due. A delinquency report most often shows all monies not paid by residents or prospects for rent and other charges.
Depreciation	An annual non-cash expense to recognize the amount by which an asset loses value due to use, age, and obsolescence.
Economic Occupancy	The financial equivalent of physical occupancy, or the number of residents who actually pay their rent. Economic Occupancy suffers when apartments are leased below market rate. The closer the Economic Occupancy percentage is to physical occupancy, the better a community is at moving residents in without concessions or rent reductions.
Economies of Scale	The savings recognized by a company that can buy goods in large numbers and spread the cost over many communities.
Enterprise	An organization created for business ventures.
FASB	The Financial Accounting Standards Board (FASB), a not-for-profit organization whose primary purpose is to develop generally accepted accounting principles (GAAP) within the United States.
Fiduciary Responsibility	The obligation of a person or organization in employ or contract with an owner or stakeholder to handle the finances and assets of the owner in a trustworthy manner.
Financial Reports	Formal records or documentation of a community's financial performance and activities.
Forecast	A prediction of performance.
Forfeited Deposits	Monies seized or surrender due to damages, most often from a cancelled lease or application.
GAAP	Generally Accepted Accounting Principles (GAAP) is a set of accounting rules that outline proper techniques for preparing and reporting financial statements
Gain to Lease / Gain to Old Lease	Sometimes called Gain (Loss) to Old Lease, or GTOL (LTOL). This line item is the difference between market rent and actual rent charged. Additional money collected is known as GTOL. Rent charged below market rent is known as LTOL.

Gross Possible Rent	Gross Possible Rent is simply the Gross Potential Rent plus the gain to lease and minus the loss to lease and minus any management or non-revenue units. It is the total that is actually possible to collect if all vacant units were occupied at full market rent, and everyone paid all their rent as charged.
Gross Potential Rent	The maximum amount of rent that would be charged if your community was 100% occupied and all of your residents were paying the current market rent.
Gross Rent Multiplier	Gross Rent Multiplier, or GRM, is the ratio of the price of an investment to its annual rental income.
IFRS	International Financial Reporting Standards
Income Capitalization Method	An approach to calculating property value. $I=RV$ or $V=I/R$ (where I is net operating income, R is the Cap Rate and V is the community Value).
Income Statement	An Income Statement is a detailed report of your community's performance. The Income Statement is known by many names, including: an Income and Expense Report; a Profit and Loss Report, or P&L; and a Comparative Income Report.
Insurable Value	Insurable Value is the value of real property that is covered by an insurance policy. It usually does not include land value.
Investment	The outlay of money or capital in an enterprise with the expectation of profit.
Investment Value	Investment value is the price one particular investor may be willing to pay for a community. Investment Value is usually higher than Market Value, and may reflect a buyer interested in the community to complement other assets or for sentimental reasons.
Liquidation Value	Liquidation Value is the value when an owner is forced to sell a community due to bankruptcy or other liquidation. It is the lowest of all values.
Long-term Owner	An owner who desires to hold or own a community or communities over an extended period of time. The long-term owner typically prefers stabilized operations with consistent ROI year after year.
Loss to Lease / Loss to Old Lease	Sometimes called Loss (Gain) to Old Lease, or LTOL (GTOL). This line item is the difference between market rent and actual rent charged. Additional money collected is known as GTOL. Rent charged below market rent is known as LTOL.
Market Value	Market Value is the price at which a community would sell from a willing seller to an unhurried buyer who has completed appropriate due diligence on the community and knows all of the pertinent information. This is the most common value at which communities are sold.
Modified Accrual Accounting	Modified accrual accounting is a combination of the cash and accrual methods. Expenses are recognized when they are paid and income is recognized when incurred. It can also be the opposite your income can be reported on a cash basis and your expenses on an accrual method. Modified accrual is a very common approach in property management.

Month-to-Date Variances	The difference in the actual and the budgeted amount for any account code during any particular month.
Multifamily Broker	Brokers are licensed agents that act as intermediaries between buyers and sellers of real estate. Multifamily brokers specialize in apartments and usually actively look for buyers for communities they have listed or look for communities that fit the requirements of their clients hoping to invest.
Net Operating Income	Net Operating Income, or NOI, is the difference between Total Operating Expenses and Total Income.
Non-profit Organization	Under the Income Tax Act, a non-profit organization is an association, club or society operating exclusively for social welfare, civic improvement, pleasure, recreation, or any other purpose except profit.
Nonrecurring Capital Expenditures	Capital Expenditures are outlays for items that add value to the community by improving the asset. A purchase that increases the value, restores the value, or extends the life of your community can be considered a Capital Expense. Sometimes called Extraordinary Capital Expenditures, Nonrecurring Capital Expenditures are unusual purchases that are made infrequently. For example, the resurfacing of a tennis court or the installation of a new pool house.
Non-revenue Units	Apartment homes that do not produce revenue because they are used as model apartments, occupied by staff members who do not pay rent or receive a discount, or other reasons.
Operating Expenses	Expenses for items or services that are used for normal day-to-day operations that are not considered capital items.
Other Income	Other Income is the revenue collected for items other than rent. Usually it is for premiums such as washer and dryer hookups, application fees, pet fees, late fees, and sources other than rent. It is also known as Ancillary Income.
Outlays	Disbursements or payments for expenses.
Per Unit Analysis	A key indicator used to monitor community performance. A look at expenses or income calculated by dividing the number of units into the total income or expense. Usually used to compare like properties and find discrepancies in expenses.
Portfolio	All investments collectively owned by the same individual or organization. Can also refer to all communities managed by or operated by an organization or individual.
Positive Cash Flow	The excess of cash revenues after all cash outlays are completed in a given period of time. The amount of money left after a community pays all expenses in a given period.
Predictive	A state in which something can be expected or forecast based on a relationship with a trend or past occurrences.
Price Elasticity of Demand	The measure of responsiveness in the quantity of apartments leased or demanded as a result of change in price. It is a measure of how renters react to a change in market rent.
Profit	The money generated that exceeds the cost and expenses associated with a business.

Recurring Capital Expenditures	Capital Expenditures are outlays for items that add value to the community by improving the asset. A purchase that increases the value, restores the value, or extends the life of your community can be considered a Capital Expense. Recurring Capital Expenditures, sometimes called Ordinary Capital Expenditures, are for items that you probably purchase month after month in order to maintain the value of the community, such as new appliances or carpet.
Rent Premiums	Fees or charges for items other than rent that are associated with a feature of an apartment. Examples include fireplaces, vaulted ceilings or a preferred view.
Repositioning	To shift an apartment from one "class" of quality to another through upgrades and improvements. Short-term owners generally like to reposition a community from one level to the next before selling.
ROI (Return on Investment)	The simple definition is the amount of profit a community generates. The ratio of money gained or lost on an investment relative to the amount of money invested.
Short-term Owner	Owners that do not wish to hold or own a particular asset for an extended period of time. Typically, short-term owners look for a community where there is potential to add value, perhaps by completing a rehabilitation and turning a no-frills community into a more luxurious place to live.
Soft Market	A condition in a market when the renting of apartments drops off and occupancies dip.
Specification Sheets	A document that lists the materials, quality and requirements needed to complete a job.
Stabilized	Typically referring to operations on a community where there is little fluctuation in expenses and income and performance becomes predictive.
Stakeholder	A stakeholder is a person or group that has an investment, share, or interest in the apartment community.
The Sarbanes-Oxley Act of 2002	The Sarbanes-Oxley Act is designed to keep the accounting practices of all publicly-traded companies free from creative manipulation and deception. The Act created new standards for corporate accountability and specifies stringent financial reporting responsibilities.
Total Expenses	The sum of all expenses in all categories.
Total Income	The sum of all income, both Rental and Other Income.
Total Other Income	The total of all income in categories other than rent categories.
Total Rental Income	The total of income associated with rent.

Transparency	A term used to explain the way information on financial reports and actions of companies are communicated so that they are easily understood and honest.
Trend Analysis	A review of data over time to spot a pattern or trend that can lead to action to either capitalize on or take action to minimize threats in a trend.
Unit Mix	The breakdown of apartment types by the number of apartments of each specific floor plan.
Vacancy Loss	The loss in revenue due to unrented apartments.
Variiances	The difference between a budgeted amount and the actual amount incurred.
Year-to-Date	A period of time beginning January 1 st and ending on the day on which the reporting occurred when used on financial reports.