

## Financial Activity - Part 2



Name: \_\_\_\_\_  
Date: \_\_\_\_\_

### Royal Apartments

You are the new Regional Manager for Royal Apartments. Use the following information to answer the questions on the following pages and evaluate the property.

| Unit Type* | Quantity | Size (sq.ft.) | Market Rate | Average Occupied Rent | Occupied | Vacant |
|------------|----------|---------------|-------------|-----------------------|----------|--------|
| 1.1        | 40       | 688           | 743         | 735                   | 37       | 3      |
| 2.2        | 96       | 910           | 847         | 835                   | 92       | 4      |
| 3.2        | 36       | 1035          | 1003        | 995                   | 34       | 2      |

\* 1.1 = 1 bedroom, 1 bath; 2.2 = 2 bedrooms, 2 baths; 3.2 = 3 bedrooms, 2 baths unit

#### Additional Details

One 2.2 unit is being used as a model and one of the 3.2 unit is provided free to the Maintenance Supervisor.

#### Turnover

Turnover in 2016 was 74 units.

#### Concessions

Concessions are \$5,500 per month.

#### Operating Expenses

| Per Unit Annual Operating Expenses |       |
|------------------------------------|-------|
| Marketing                          | \$200 |
| Administrative                     | 179   |
| Payroll                            | 1,050 |
| Management Fees                    | 324   |
| Utilities                          | 309   |
| R & M                              | 358   |
| Contracts                          | 350   |
| Taxes                              | 1,015 |
| Insurance                          | 245   |

#### Debt Service and Capital Expenditures (Reserve Replacements)

Annual Debt Service - \$652,000

Capital Expenditures - \$116,100

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*All calculations round numbers accordingly*

1. What percentage of the total units are Two Bedrooms?
2. What was the turnover percentage at this property last year?
3. What is the overall average square footage at this property?
4. What is the total monthly market rent at this property?
5. What is the current monthly Gross **Possible** Rent (GPR)? (Hint: don't confuse with gross potential; total possible collections for current occupied units and to be filled vacant units)
6. What is the monthly \$ loss to lease at this property?
7. What is the physical occupancy?
8. What is the total monthly \$ vacancy loss?
9. What is the monthly \$ value of the non-revenue unit loss?
10. What is the monthly total value of income loss? (Include loss to lease, vacancy loss, non-revenue unit(s), and concessions; do not include collection loss-bad debt)

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*All calculations round numbers accordingly*

Now annualize the numbers you have been working with to answer the questions below.

11. What is the annual market rent?
12. What is the annual GPR?
13. What is the annual \$ loss to lease?
14. What is the annual total value of income loss?
15. What is the annual collection loss (bad debt) if assume 1%?
16. Assume a collection loss of 1%. What is the annual Effective Gross Income (EGI) after deducting for all parts of income loss calculation? (Don't forget the concessions!)
17. Annual Other Income is \$112,000. What is Gross Operating Income (GOI)?
18. What is the annual total operating expense?
19. What is the highest expense category and what % of total operating expenses does it represent?

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*All calculations round numbers accordingly*

20. What is the Net Operating Income?

21. What is the property's necessary "break even occupancy" ratio?

22. What is the Before Tax Cash Flow?

23. What is the Debt Coverage Ratio?