ARGUS

REFERENCE MANUAL

Lease By Lease & Unit Sales
Cash Flow Analysis,
Commercial & Residential Development
and Portfolio Modeling Software

VERSION 10.0
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CHAPTER 1

Introduction

What Is ARGUS
ARGUS is a sophisticated financial analysis program that allows you to analyze and forecast cash flows from commercial real estate ventures including office, retail, industrial, apartment, hotel, motel, and other commercial properties. ARGUS can also project cash flows and budgets for golf courses, airports, sports arenas, multipurpose structures, and industrial parks, as well as perform simplified cash flow modeling from a set of pre-determined assumptions.

Who will benefit from using ARGUS?
Anyone who models commercial real estate cash flows, values, and deal structures will benefit from using ARGUS. Developers, property and leasing brokers, equity and debt investors, construction and permanent lenders, fee appraisers, bank appraisers, asset managers, tax assessors, mortgage bankers, investment bankers, and corporate real estate executives find that ARGUS offers the greatest combination of features and functionality. In addition, non-commercial users including municipal and school finance departments and bond rating agencies can use ARGUS to determine future revenues from non-property tax income such as recreational use fees.

What are the capacities of ARGUS?
ARGUS performs detailed monthly calculations to help you analyze the terms of current leases, the assumptions of future leasing activity, and the rollovers and renewals of leases as they expire. You can enter additional information about the property to account for miscellaneous revenues, expenses, capital expenditures, and debt. The resulting cash flow can be used for long-term budget projections. Each year's estimated cash flows can become the basis for comparison to the actual cash flows from a property management system. ARGUS can also be used for the evaluation and negotiation of lease proposals or to help develop leasing strategies.

What reports does ARGUS produce?
ARGUS produces a wide variety of property, tenant, comparison, and audit reports. They include: Summary of Cash Flow From Operations, Schedule of Expense Reimbursement Revenue, Market Leasing Assumptions, Resale and Terminal Value Summary, Rate of Return & Present Value Summary, Individual Tenant Cash Flow & Summary, Occupied Area Measures, Income Statements, Depreciation Schedules, and numerous supporting schedules for each detailed line item on the Summary reports.

ARGUS generates an internal rate of return, yearly cash on cash return, average occupancy ratios, weighted average market rates, weighted average effective rents, and many other useful ratios and benchmarks. In addition, ARGUS produces comparison reports showing much of this detail on a per-square-foot basis.

Reports can be generated using different currencies and exchange rates. For example, you can enter an analysis using dollars and produce reports based on a different currency such as the Japanese yen or British pound. You can use OpenARGUS to export data to other report and database programs such as Crystal Reports and Microsoft Access.
In Summary

ARGUS will assist you in your screening, due diligence, negotiating, structuring, packaging, approval, and strategic planning processes. ARGUS can help you eliminate costly mistakes caused by calculation errors hidden in internally developed spreadsheets, allowing you to better understand the risks and returns inherent in each real estate assignment, opportunity, or endeavor. In short, ARGUS will save you money and it will make you money, because ARGUS will help you save the most important business asset you have . . . your time.

As the international real estate and the global computer industry continually evolve, our goal is to provide you with enhanced versions of ARGUS that meet your changing analytical demands and to take advantage of the improvements in the computer hardware and operating environments. We encourage suggestions or comments on how we can better serve you.

E-mailing ARGUS

You can send e-mail to ARGUS at the following addresses:

**ARGUS Support**
You can send e-mail to ARGUS Technical Support at the following address:

argussupport@theRealm.com

Technical Support personnel may refer you to this address to send them specifics on a question or problem. Using e-mail for technical support can help you avoid the long distance charges incurred from using the Technical Support telephone number.

**ARGUS Sales**
You can send e-mail to ARGUS Sales at the following address:

argussales@theRealm.com

**ARGUS Development**
You can send e-mail to ARGUS Development at the following address:

suggestions@argussoftware.com

**Attaching an ARGUS Analysis to an E-mail Message**

If you want to send an analysis to ARGUS or to someone else, you can attach the file to an e-mail message. Since different e-mail programs have different attachment features, you should consult the documentation or Help system of your individual program for details.

You can attach ARGUS files, bitmaps of error messages, and reports to e-mail messages, however, very large e-mail attachments may cause problems with your Internet provider. If you have problems sending a large file, compress it in the .zip format using one of the many compression programs available.

**Note:** ARGUS does not provide encryption for e-mail messages or messages that include an attached ARGUS analysis file.
CHAPTER 2

Getting Started

This chapter includes information that will help you use the ARGUS Reference Manual more effectively. This information includes:

- Typographical Conventions
- Choosing Commands
- Keys
- ARGUS Help
- Field Entry
- Entering Dates in ARGUS
- Spreadsheet Field Calculations
- Accessing Detail Windows
- Categories
- Currency and Measurement Units
- Working with ARGUS Files
- Simplifying the Interface
- System Options
- Displaying Sub-Lines

Typographical Conventions
Before you start using ARGUS financial analysis software, it is important for you to understand the typographical conventions used in the documentation. This will help you locate the information for which you are searching.

Examples of Typefaces
This typeface is used for regular text.

This typeface is used for examples.

This typeface is used for sample reports.

<table>
<thead>
<tr>
<th>Other Conventions</th>
<th>Used For</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Letter Capitalized</td>
<td>Screen titles, report lines, program sections.</td>
</tr>
<tr>
<td><strong>Bold</strong></td>
<td>Field and menu names.</td>
</tr>
<tr>
<td><em>Italics</em></td>
<td>Drop-down list selection items.</td>
</tr>
<tr>
<td>ALL CAPS</td>
<td>Key presses. Two keys listed together should be pressed simultaneously.</td>
</tr>
</tbody>
</table>
ARGUS Features

This section provides an overview of the major elements on the ARGUS screen.

Choosing Commands

A command is an instruction that tells ARGUS to perform an action. You can choose commands in the following ways:

- Choose a menu option
- Click a toolbar button
- Click a command button

Choosing Menu Options

The ARGUS menus contain lists of commands. Most of these commands allow you to access a window where you can either select or enter information.

To display a menu, click the name of the menu on the ARGUS menu bar or hold down the ALT key and press the underlined letter in the menu name.

Using the Toolbar

The ARGUS toolbar allows you to quickly select some common commands.

Using Command Buttons

Most ARGUS windows include several command buttons. Though these buttons vary depending upon the current window, the actions they allow you to perform may be similar across all windows. For example, unless otherwise noted, the buttons below are the same across all windows.
Keys

The keys below perform some special actions in ARGUS.

**The Escape Key**
To return to a previous window, you can use the ESC or ESCAPE key as well as the Cancel button. On data entry windows with Cancel buttons, ESCAPE cancels all changes and displays the previous window.

**The Tab and Shift-Tab Keys**
The TAB key moves the cursor from field to field in a window. To reverse the order, hold down the SHIFT key and press the TAB key. While in a spreadsheet, the TAB key will toggle the cursor between the spreadsheet area and the buttons.

**The Enter Key**
The ENTER key selects the highlighted button. Pressing ENTER while in a spreadsheet moves the cursor to the next cell. Additionally, you may use the arrow keys to move from cell to cell in a spreadsheet, or you can select a cell or button by clicking it with the mouse.

ARGUS Help

As the cursor moves from field to field or window to window, an ARGUS Help message about that field, list-box, or spreadsheet cell will be displayed near the bottom of the window. These messages explain what the field or section does and how various answers will apply. They also describe acceptable entries and available input methods.

Additional information is available in the ARGUS Help system. You may access the Help system by choosing the Help button in a window, by pressing the F1 key, and by choosing an item from the Help menu.

**Viewing System Information**
In addition to the various Help topics included in ARGUS, you can also display ARGUS system information. To use this feature, choose About ARGUS from the Help menu.

If you would like to view the names of others on your network who are currently using ARGUS, choose Show Users.
To display additional system information, choose More on the About ARGUS window.

Field Entry
ARGUS includes the field entry features below to help you enter data easily and completely.

Required Fields
ARGUS includes required fields to prevent you from performing an analysis without including all the necessary data. If you skip a required field, ARGUS will prevent the window from closing. You must fill in an acceptable answer to continue. If you are unsure of what to enter, check the help text at the bottom of the window, click the Help button, or refer to this manual.

Pretsets
Presets, or defaults, are pre-programmed into ARGUS to save you time. In most cases, you can still select other options. ARGUS will often fill preset fields with selections based upon your previous entries.

Multiple Choice Fields
You can display available selections for a particular field by clicking the arrow to the right of the field or by holding down the ALT key and pressing the DOWN-ARROW key. You can then click an item to select it, or use the scroll arrows or keyboard to position an item in the list-box.
**Numeric Representation**

Some fields in ARGUS allow you to use abbreviations to express large numbers. In these fields, you may use the abbreviations K to represent thousands and M to represent millions. The individual field descriptions in this manual usually note when this option is available.

**Example**

Entering **100K** is the same as entering **100,000**.

Entering **1M** is the same as entering **1,000,000**.

**Entering Dates in ARGUS**

In many ARGUS fields that require you to enter a date, you may use either of the following methods to express the date:

**Fixed Dates**

To use this method, enter the month first and separate it from the year with a forward slash (**/**). You do not need to enter a leading zero for one-digit months. Unless otherwise noted, the example below shows the correct format for entering fixed dates.

<table>
<thead>
<tr>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/01</td>
</tr>
<tr>
<td>12/01</td>
</tr>
</tbody>
</table>

**Relative Dates**

This method allows you to specify a date that is **relative** to another date or event in ARGUS. The individual field descriptions in this manual will specify the date or event that your entry will be relative to. To use this method, enter the number of months from the specified date or event until the relative date takes effect.

Unless otherwise noted, the example below shows the format to use when entering relative dates. If the dates in the example below were relative to the analysis start date, the events associated with these dates would take place in the first and the thirteenth months of the analysis.

<table>
<thead>
<tr>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>13</td>
</tr>
</tbody>
</table>

**Spreadsheet Field Calculations**

Many of the fields in ARGUS allow you to enter numeric values as simple formulas that ARGUS will automatically calculate. For complex calculations, you can press **F8** to display a calculator tool that you can use to calculate and then enter results in ARGUS fields.

**Entering Formulas**

In every edit field and list box in which you can enter numeric values, ARGUS allows you to enter a formula, and then calculates the value. Available calculations include addition, subtraction, multiplication, division, and exponentiation. The calculations allow, but do not require, an equals sign to precede the formula. For example, **5+5** and **=5+5** both report **10**.

You may only enter one operator for calculation, and, with two exceptions, two operands are required. Only if a number is preceded by a positive or negative symbol (e.g., **+5** and **–5**) is a single operand allowed. Formulas can contain commas as thousands separators. The abbreviations of K for thousands and M for millions are not allowed in formulas, although they are still allowed in direct input.
Using the Calculator

If you need to perform calculations that use more than a single operator, ARGUS provides you with a pop-up calculator. To display the calculator, simply press F8.

The calculator allows you to add, subtract, multiply, and divide in the same manner used with any standard calculator. When you choose the Off button, ARGUS automatically enters the number displayed in the Results field into the ARGUS field that was active when you pressed F8. The calculator is available in most fields that allow data entry.

Accessing Detail Windows

ARGUS allows you to enter detailed information in many fields. If a field accepts detailed information, the Detail button on the window will be darkened when the field is active. To activate a field, you must position the cursor or highlight in the field. If a field does not allow you to enter detailed information, the Detail button will be unavailable.

To access a detail window, choose the Detail button while the field is active.
Categories

Categories can help you decrease the amount of time you spend entering information into ARGUS. Instead of typing the same values for multiple entries, in many cases you may create and reference a category. This can greatly reduce the time necessary for data entry.

When you access a category, ARGUS may display a special category window. This window allows you to work with any existing categories as well as to create new ones.

The Direct Button

The Rent Roll window and the Space Absorption window each include a Direct button that allows you to directly edit existing categories from the field in which they are selected. For example, you can position the cursor in the Market Leasing field on the Rent Roll window and then use the Direct button to edit the selected Market Leasing Assumption category.
The In Use Button
ARGUS allows you to create categories of data that may be used in more than one part of an analysis. To list the parts of an analysis in which a particular category is being used, display the category window, select the category, and then choose the In Use button. This is especially helpful when you are planning to delete a category, because you cannot delete categories that are used in other parts of the analysis.

Category Navigation Buttons
When you are creating or editing specific categories, navigation buttons make it easier to move from category to category. When they are available, category navigation buttons will be displayed in the upper right corner of the window.

Currency and Measurement Units
In many cases, you will need to enter or select currency and measurement information in ARGUS. Depending upon the entries in the Input and Output Preferences windows, you may enter and report information using various currencies and units of measure. This manual uses the conventions of measurement units to refer to units of measure that may vary from file to file, and currency to refer to currency names that may vary.

For example, when this manual refers to currency per measurement unit, if you are entering information using square feet as the unit of measure, and dollars as the currency, you can assume this means dollars per square foot. If you are using meters as the unit of measure, and pounds as the currency, you can assume this means pounds per square meter.
Working with ARGUS Files

When you start ARGUS, the menu bar shows only three menus: **File**, **Options**, and **Help**. The **File** menu includes options that allow you to work with files or to exit the program. The **Options** menu includes selections that allow you to change many program settings. The **Help** menu includes options that allow you to access the ARGUS Help system and the ARGUS version and serial number.

Creating New Files

To create a new ARGUS file, choose **New** from the **File** menu, and then choose **Standard**. ARGUS will prompt you to enter a file name, the drive, and the directory where you wish to save the file. Choose **Save** to accept the file name or choose **Cancel** to return to the initial menu screen.

Long File Names

ARGUS supports file names that are longer than eight characters. For example, you can name a file *One Onyx Center.sf*. ARGUS files must always have an .sf extension. ARGUS will add this extension automatically if the file name does not contain it.

Not every character should be used in ARGUS file names. Characters that require you to use the ALT key codes 32 to 127 can be properly displayed in all parts of ARGUS. Characters 128 to 255 cannot be displayed in all areas of the program. The following characters are also not recommended for use in file names: “ / < > * : ? \n
ARGUS does allow the use of colons and semicolons in file names.

**Note:** If you use one of the non-supported characters in a file name, it may not appear properly in the ARGUS title bar and in other areas of the program.

For information about entering characters using the ALT key codes, see Chapter 4, *Property Description Windows*. 
Templates
If you frequently create new ARGUS files, you can use templates to avoid some of the repetitive data entry tasks you must normally complete.

Creating Templates
To create a template, you must first enter the repetitive data in an ARGUS file. Once you have entered the data, choose Copy from the File menu, and then choose Make a Template. If no files are open, you will be prompted to select the file you wish to use. ARGUS will save the file in your TEMPLATE directory. If no files are open, you make s

Using Templates to Create ARGUS Files
To create an ARGUS file using a template, choose New from the File menu, and then choose Template. ARGUS will prompt you to enter a file name, the drive, and the directory where you wish to save the file. Choose Save to save the file and continue.

The Templates window lists all ARGUS files currently available for use as templates. Keep in mind that you must create at least one template before ARGUS will display this window.

If you wish to use one of the listed templates, select the template and choose OK.

To delete one of the listed templates, select the template and choose Delete. ARGUS will display a message asking you to confirm that you wish to delete the template.
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Using the ARGUS Wizard to Create Files

The New File Wizard takes you, step by step, through the process of creating an ARGUS file and entering data. The instructions below explain how to get started with the New File Wizard. For more information about the specific information you must enter in each section of the wizard, see the corresponding topic in this manual or the ARGUS online help.

To use the Wizard, from the **File** menu choose **New** and then **ARGUS Wizard**.

Choose **Continue** to begin creating your new ARGUS file.

The ARGUS Wizard Information Page gives some basic instructions for using the Wizard. If you do not wish to see this screen the next time you use the Wizard, you can turn it off by clearing the **Show this screen next time** check box near the lower left corner of the screen.

**Note:** If you turn off the ARGUS Wizard Information Page, you can restore it on the Messages tab on the System Settings window.

Choose the **Next** button to continue.
In the **File Name** field, enter the name of the new file you wish to create, and then select the property type for the file from the drop-down list in the **Property Type** field. Keep in mind that you cannot change the property type once you have exited this window.

Follow the screen prompts to complete the remainder of the wizard screens. You may use the **Next** and **Back** buttons to move between screens. When you finish, choose the **Finish** button.

### Opening Existing Files

To open an existing ARGUS file, choose **Open** from the **File** menu. When an ARGUS file is open, you can edit the file. If you select this option while another ARGUS file is open, ARGUS will close and save the currently open file and load the selected file. The most recently opened files are listed near the bottom of the **File** menu. To open them again, type the number beside the file name or click on the file name.

### Copying ARGUS Files

To make a copy of an existing ARGUS file, from the **File** menu, choose **Copy** and then **Duplicate File**. You can then assign a different name to the copied file. This option performs the same function as the Save As command does in other programs. The file size of the new file may be smaller than the original, though it will contain the same information. If no files are open, you can select **Duplicate File** and choose the file to be duplicated.

After you choose the file, you will see a similar window prompting you for a name for the duplicate file. Enter the name and choose **OK**. If the file is already open, ARGUS will only ask for the new file name. Once the file has been copied, you will receive the following message:

Choose **Yes** to open the copy; choose **No** to continue working with the original file.
Making a Generic Copy of a File
The Make a Generic File command that appears on the Copy submenu under the File menu allows you to make a generic copy of an existing ARGUS file, but without the identifying tenant, category, and expense data. This allows you to create a nonspecific ARGUS file that you can use whenever it is not appropriate to release specific tenant, category, and expense data.

Making an ARGUS Template
The Make a Template command that appears on the Copy submenu under the File menu allows you to make an ARGUS template that you can use to reduce repetitive data entry tasks in ARGUS. For more information on templates, see the Templates section in this chapter.

Sending ARGUS Files
The Send To submenu on the File menu includes options for copying a file to a floppy (or other) disk drive, creating a shortcut on your Windows desktop to a specific ARGUS file, and for attaching an ARGUS file to an e-mail.

For example, the Mail Recipient (Attach File) option will automatically launch your email program with the current (or selected) ARGUS file attached. The External Drive option allows you to specify the disk drive to which you wish to copy the file. And the Desktop option will automatically place a shortcut to the selected file on your Windows desktop.

Importing Files
The Import option on the File menu allows you to import data entered in Pro-Ject +, MRI, Skyline, Timberline, or Dyna-Lease to be loaded into an ARGUS analysis. You may use data from any database to create an ARGUS import file. The import may not create a complete ARGUS analysis, but it can save you a large amount of time. After you import the data, you must enter the remainder of the required information. For more information, see Chapter 3, Importing and Exporting.

OpenARGUS Import
This option uses data from an Open Database Connectivity (ODBC) compliant database that has been mapped to ARGUS specifications to create an ARGUS analysis. You can use this option to bring information from outside programs into ARGUS and reduce data entry time. For more information, see Chapter 3, Importing and Exporting.

OpenARGUS Export
This option is available when a property file is open. It takes the ARGUS analysis data and exports it to an Open Database Connectivity (ODBC) compliant database. This allows you to use ARGUS data in other programs, and to create reports with programs such as Crystal Reports. For more information, see Chapter 3, Importing and Exporting.
Batch Processing
This option on the File menu allows you to calculate (and upgrade) or (OpenARGUS) export all the ARGUS files in the current directory. Select this option if you receive a new version of ARGUS and need to upgrade your existing files.

To upgrade your files, choose the Calculate (upgrade if needed) option. For more information on OpenARGUS Export, see Chapter 3, Importing and Exporting.

Recent Files
The File menu includes a list of the files you have used most recently. This list allows you to quickly access up to nine recently used files. To open one of these files, type the number next to the file name or click on the file name.
Simplifying the ARGUS Interface
ARGUS allows you to choose which menus and options are displayed. This provides you with a way to modify the ARGUS menus to fit your preferences.

Simplifying Menus
You may use the Simplify option on the Options menu to manually remove and restore ARGUS menu items.

To remove an item from the ARGUS menu, choose No in the corresponding Visible column for the item. Once you exit the window, the corresponding item will no longer be available on the ARGUS menu. To return an item to the menu, select Yes in the Visible column. The available options depend upon the property type of the current file. Options for the File menu will only be available if no file is open.

Warning: If you disable the Simplify option itself, the Simplify window will no longer be available from the Options menu. Contact ARGUS Technical Support for information on restoring the Simplify option to the Options menu.
System Options

The System Settings window allows you to modify some of the default system settings within ARGUS. To access this window, select **System** from the **Options** menu on the main ARGUS window. The System Settings window has multiple sections that you can access by clicking the tabs at the top of the window.

Appearance

This tab allows you to specify preferences for the way ARGUS is displayed on your screen.

**Executive Dashboard View**

This option allows you to display a summary of the information entered in a file on the main ARGUS window. You can click the underlined items on the main ARGUS window to immediately display the window on which that particular information is entered.
**Color**
This option allows you to choose the background color that will be displayed when you are using ARGUS. To select a custom color, choose **Color** and then choose the **Custom** button. On the Color selection window, click the color you wish to select, and then choose **OK**. Choose **OK** again on the ARGUS Appearance tab to save your selection.

**Windows Background**
Select this option to change the ARGUS background color to the color specified in your Windows setup file.

**Navigation Toolbar**
This option determines whether the toolbar icons will be displayed on the main ARGUS window. When enabled, you can access many ARGUS functions directly from the toolbar. You may disable the toolbar by clearing the corresponding check box. To restore the toolbar, simply select the corresponding checkbox.

**Information Toolbar**
The **Information Toolbar** check box allows you to see at a glance many of the individual items you have selected in a given file. When you select this option, a bar containing icons representing the selected options will be displayed just above the status bar on the main ARGUS window. The toolbar may include icons for the following items:

- **Escrow Balance**: This icon will be displayed if you enter information on either the Escrow Contributions window or the Escrow Distributions window. Clicking this icon will display the Escrow Balance window.

- **Development IRR**: This icon will be displayed if you enter information on the IRR window accessed from the Property Purchase & Resale window. Clicking this icon will immediately display the IRR window.

- **Taxes**: This icon will be displayed if you enter information on the Depreciation and Taxes window. Clicking this icon will display the Depreciation and Taxes window.

- **Advanced Timing**: This icon will be displayed if you turn on advanced timing in a file. Clicking the icon will display the corresponding tab in the Input Switches window. You can also right-click this icon to display a pop-up menu which allows you to turn off advanced timing without accessing the Input Switches window at all.

- **CPI Index**: This icon will be displayed if you turn on the CPI index in a file. Clicking the icon will display the corresponding tab in the Input Switches window. You can also right-click this icon to display a pop-up menu which allows you to turn off the CPI index without accessing the Input Switches window.

- **Inflate Market Rent Monthly**: This icon will be displayed if you turn on the **Inflate Market Rent Monthly** switch in a file. Clicking the icon will display the corresponding tab in the Input Switches window. You can also right-click this icon to display a pop-up menu which allows you to turn off the **Inflate Market Rent Monthly** switch without accessing the Input Switches window.

- **Net Effective Market**: This icon will be displayed if you turn on the **Net Effective Market** switch in a file. Clicking the icon will display the corresponding tab in the Input Switches window. You can also right-click this icon to display a pop-up menu which allows you to turn off the **Net Effective Market** switch without accessing the Input Switches window.
• **Daily Rent Calculations**: This icon will be displayed if you turn on the **Daily Rent Calculations** switch in a file. It is for information purposes only because you cannot turn off the **Daily Rent Calculations** switch once you have turned it on.

• **Calculate Rolling PV**: This icon will be displayed if you turn on the **Calculate Rolling PV** switch in a file. Clicking the icon will display the corresponding tab in the Input Switches window. You can also right-click this icon to display a pop-up menu which allows you to turn off the **Calculate Rolling PV** switch without accessing the Input Switches window.

• **International**: This icon will be displayed in international files. It is for information purposes only because you cannot change international files into other types of files.

**Row Highlighting**
If you select this option, the active row on the Rent Roll and Revenue and Expense windows will be highlighted in yellow as illustrated in the screen example below. If you do not wish to use row highlighting, make sure this option is not selected.

**Quick Tips**
The **Quick Tips** check box must be selected in order for the quick tips to be displayed. If you do not wish to display quick tips, clear the check box.

**Display Thousands Separator**
This option determines whether commas, or other thousands separators are displayed in data entry fields. The box acts like a toggle switch and turns separators on or off. A check-mark indicates that separators will be displayed for numbers with sufficient digits.

**File Operations**
This tab allows you to specify some file preferences in ARGUS.

<table>
<thead>
<tr>
<th>Appearance</th>
<th>File Operations</th>
<th>Messages</th>
<th>OpenARGUS</th>
<th>Licensing</th>
</tr>
</thead>
</table>

**Data Size**
This option allows you to specify how much RAM space is used by the ARGUS system and your data files. To change the size, enter a different number in the **Size** field. You can use the abbreviations *m* for megabytes and *k* for kilobytes.

**Recently Use File List**
This option allows you to change the number of recently used files displayed on the **File** menu. ARGUS can display a maximum number of nine files.
**ARGUS Timer**

The ARGUS timer provides you with a clock showing the amount of time of your ARGUS session and the amount of time you have spent working with the current file. If you select this option, this information will be displayed (in hours and minutes) on the right side of the status bar on the main ARGUS window as follows:

![Current ARGUS Session: 3 hours 4 minutes Current File: 22 minutes Pause](image)

If you wish to pause the timer, simply choose the **Pause** button that appears next to the time information in the status bar (or on this tab). Whenever the timer is paused, the button caption will change to **Resume**. Choose this button to resume the session timing.

If the ARGUS timer is enabled and you make a change to your file that requires calculation, you can choose the **Calculate** button to calculate the file immediately.

**Note:** If you close the current file or open a new file, ARGUS will reset the file specific timer. Closing ARGUS altogether is the only way to reset the cumulative timer. Calculating portfolios, loans, or loan portfolios will not reset the timer.

**Messages**

You can use this tab to enable and disable some ARGUS messages.

![Messages](image)

**Detailed Messages with ARGUS Errors**

This check box allows you to enable or disable detailed error messages.

**File Type Message Box**

If you have the international version of ARGUS, this check box allows you to enable or disable the confirmation message that appears when you create files. If you clear this selection, all new files will be created as standard files.

**Property Type Message Box**

This check box allows you to enable or disable the property type confirmation message that appears whenever you create new files.

**ARGUS Wizard Information Page**

This option allows you to disable the ARGUS Wizard Information page (the second wizard window). To restore the Information Page, simply re-select this check box.

This tab allows you to specify the default OpenARGUS data source and to indicate whether global category information should be stored in OpenARGUS.
OpenARGUS
This tab allows you to specify the default OpenARGUS data source and to indicate whether global category information should be stored in OpenARGUS.

**Store Global Categories in OpenARGUS**
Select this option to store your global categories in OpenARGUS.

**Update Categories**
If you choose to store your global categories in OpenARGUS, this section allows you to specify when to update your global categories. You may choose from the following options:

- **Running ARGUS**: This option updates your global categories when you start and exit ARGUS.
- **Opening a file**: This option updates global categories each time you open a file.

**Always Use this Data Source**
Select this check box to indicate that the data source shown in the field below is always to be used. If you choose this option, you will not be asked to do so again during OpenARGUS import or export. Note that this option is file specific.

**Data Source**
Select the data source you wish to use from the drop-down list in the field.

**Use OpenARGUS to Select Properties in REALMX**
This option is only available if you have REALMx, a service that enables the transfer of data between multiple applications using the REALM's Integration Hub.

For more information, please contact the REALM at 866-MY-REALM (697-3245) or see our web site at www.theRealm.com.
Licensing
This tab allows you to ensure you have the most up-to-date version of ARGUS and to move your ARGUS authorization license from your hard drive to a floppy disk. You can also use the Internet Authorization check box on this tab to evaluate additional ARGUS products over the Internet. For more information about using ARGUS products over the Internet, please contact ARGUS Technical Support.

Download Latest ARGUS Patch
Choose this button to download the latest ARGUS update. ARGUS will establish a connection to the Internet if one does not already exist and then compare your version of ARGUS with the version on the ARGUS Web site. If you do not have the latest version, it will automatically be installed on your machine.

Purchase Modules
Choose this button to purchase additional ARGUS modules.

Authorization
To uninstall (move) the ARGUS license, insert the floppy disk to which you wish to move the license, make sure the correct drive letter is indicated in the Disk 1 Drive Letter field, then choose the Uninstall Authorization button. You will then receive the following message:

![Uninstall Authorization Message]

When you choose the OK button in the message, ARGUS will immediately close. In order to use ARGUS again, you must reinstall the license. To do so, start ARGUS as you normally do. If the license is not currently installed you will receive the following message:

![License Installation Message]

Choose Yes to install the ARGUS license.

Note: If you cannot locate your authorization license, contact ARGUS technical support.
Displaying Sub-lines

This feature allows you to easily view any sub-lines entered on revenue and expense windows without leaving the main revenue or expense window. In order to use this feature, you must first enter sub-line information. When you return to a revenue or expense window with sub-line information, a plus ( + ) sign will be displayed next to any line items containing sub-line entries.

To view the sub-lines, position the mouse pointer on the + sign and click the left mouse button, or position the pointer in the Amount field and click the left mouse button. This will expand the line item list to include the sub-lines. Note that when you close the window, the sub-lines will also be closed; you must display them each time you access the window.

When you display sub-lines on a main revenue or expense window, a minus symbol will appear next to the primary line item, and each sub-line will be numbered with a decimal number corresponding to the row of the primary line item. For example, the primary line item will be numbered 1, with corresponding sub-lines numbered 1.1, 1.2, 1.3, etc.

If you choose Insert while sub-lines are displayed, the type of line item inserted depends upon whether a primary line item or a sub-line is active. If the cursor is in any field of a sub-line, another sub-line will be inserted directly below it. If a primary line (including one with sub-lines) is active, another primary line will be inserted below the current primary line, but after any sub-lines of the current line item.

If you choose Detail while the Amount field of a sub-line is active, you will only be able to choose between Detail, S-Curve, and Cancel. If you choose Detail while the Amount field of a primary line item with sub-lines is active, the corresponding sub-lines will be hidden if they are currently displayed, or displayed if they are currently hidden.

If you choose Copy while the cursor is in any field of a sub-line, a copy of the active sub-line will be inserted below it. If you choose Copy while the cursor is in any field of a primary line item with sub-lines, a copy of the entire line, including the sub-lines, will be inserted below the current line item (after the sub-lines).

If you choose Delete while the cursor is in any field of a sub-line, that sub-line will be deleted upon confirmation. If you choose Delete while the cursor is in any field of a primary line with sub-lines, upon confirmation, the entire line item, including the sub-lines will be deleted.

You may only use Move to move sub-lines under the primary line item; you cannot move a sub-line under another primary line item.
CHAPTER 3

Importing and Exporting

There may be times that you need a report that is different from those provided by ARGUS, or you need to bring a large amount of information into an ARGUS analysis from another program. You can import data from Microsoft Excel files as well as data from programs such as Pro-Ject, Dyna-Lease, and others in an ARGUS analysis.

In addition, you can use OpenARGUS to import and export analysis data using open database connectivity, or ODBC, technology. This feature has a variety of uses including the following:

- Importing large amounts of data from other analysis or management software.
- Exporting information for custom reports using products like Crystal Reports.
- Exporting data to ODBC compliant software for report generation, spreadsheet analysis, word processing, and database management.

Importing Excel Files

In office, retail, and industrial property types, as well as user-defined properties based upon those types, ARGUS allows you to import property and tenant level data from Microsoft Excel. The steps you take to identify the data to be imported can be saved in a special profile that you can use for future imports from Excel.

1. To import Excel data, from the ARGUS File menu, choose Import/Export and then Excel Import. ARGUS will display the Setup window, which is the first of a series of windows that you will use to define the data you will be importing.
Before you can specify the data you wish to import, you must select the Excel workbook (file) from which you will be importing. Note that you can save your selections in a profile that you will be able to use to skip many of these steps in the future. You must, however, complete the steps in this section and save at least one profile before doing so.

2. Choose the Folder icon to the right of the Folder field. On the Browse for Folder window, select the directory in which your Excel workbooks are located, and then choose OK.

3. Once you have specified the location of your Excel workbooks, the Setup window will display a list of the workbooks available in that directory. Select the workbooks you wish to import by clicking the boxes next to the workbooks you want to import. Note that you may use the Select All button to select all of the listed workbooks.

4. Once you have selected the workbooks from which you wish to import, choose Next to continue. Since you cannot change the selected profile or workbooks once you have exited this screen, you will receive a message asking you to confirm your selections. Choose Yes to continue.

The second of the main Excel Import windows is where you can select some of the general information about the property. Note that the box in the upper left corner of the window allows you to determine where in the import process you are. ARGUS displays a checkmark next to each completed window, as illustrated next to Setup in the example above.
5. To specify the data to be imported for each of the fields of the Property Information Import window, click the icon to the right of the corresponding field. ARGUS will then display the Excel spreadsheet along with a small Data Range window.

6. Click the cell that contains the data (the cell designation will automatically appear in the Data Range window), and then click the icon on the right side of the Data Range window to return to the Property Information Import window. Repeat this step for each of the property information fields for which you wish to import data.

7. When you have selected all property information to be imported, choose the property type from the drop-down list in the **Type** field, and then choose **Next** to continue.
8. On the revenue and expense import windows, you must first click the icon to the right of the *Worksheet Data Range* field and select the range of the cells to be imported. ARGUS will not import any information from cells outside of this range.

9. If the first few rows of your data range contain headers, use the *Skip Header Rows* field to specify how many rows within the range that ARGUS should ignore.

10. After you specify the range, you need to define the columns for the information to be imported by selecting them from the drop-down lists in the fields in the Column Definition section of the window. You must then specify the range for each column using the icon to the right of each corresponding field.

11. You should repeat the previous step for each of the revenue and expense windows, choosing *Next* to continue.
12. After you finish selecting the revenue and expense data to be imported, follow the same procedures to define the range and the columns for the rent roll information. When you finish, choose Next.

13. When you reach the last of the import windows, ARGUS will ask if you would like to save your current settings to a profile. If you choose Yes, you will be able to skip the steps for defining columns and use the profile for future imports. If you choose No, your settings will not be saved.

14. To complete the import process, choose the Import button on the last import window. ARGUS will display a message letting you know when the import is complete, and then you will be prompted to specify whether an existing ARGUS file should be updated or a new file should be created. If you choose to update an existing file with the information, you will be prompted to select the file.

**REALMx**

This option is only available if you have REALMx, a service that enables the transfer of data between multiple applications using the REALM's Integration Hub.

For more information, please contact the REALM at 866-MY-REALM (697-3245) or see our web site at www.theRealm.com.
reXML Import & Export

These options allow you to use reXML to import and export data. For specifications and additional information, please see the following document on the Realm's website:

http://www.therealm.com/reXML.html

Importing Other File Types

You may import data into an ARGUS analysis in a variety of ways. There are also several export options for ARGUS reports. For information on exporting reports, see Chapter 27, Reports and Graphs. The table below lists the additional file types you can import.

<table>
<thead>
<tr>
<th>Import File Type</th>
<th>File Extension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pro-Ject+</td>
<td>.PJR</td>
</tr>
<tr>
<td>Pro-Ject+</td>
<td>.PJS</td>
</tr>
<tr>
<td>MRI</td>
<td>.DAT</td>
</tr>
<tr>
<td>Skyline</td>
<td>.DAT</td>
</tr>
<tr>
<td>Timberline</td>
<td>.DAT</td>
</tr>
<tr>
<td>Dyna-Lease</td>
<td>.CSV</td>
</tr>
<tr>
<td>ARGUS</td>
<td>.AIF</td>
</tr>
</tbody>
</table>

To import other files types, you may need to contact the company that makes the software you own and find out how to create a *.DAT file. Once you have created this file, follow the instructions for importing *.AIF files (above), substituting .DAT as the selection in the Files of Type field on the Import window.

Note: While we are happy to provide you with instructions for importing information, we do not support products that are not produced by our company. The instructions provided are based on our understanding of the software. If you experience problems in an application other than ARGUS, contact the help desk for that product.

AIF Files

An ARGUS Import File, or .AIF file, is another way to get data into ARGUS. This type of file is usually created by a program written by a system administrator to convert a specific data set into a file that can be imported into ARGUS. This is frequently used when a large amount of data from a proprietary program or database needs to be used in an ARGUS analysis.

To import an AIF file:

1. From the ARGUS File menu, choose Import/Export and then Other File Types.
2. Make sure .AIF is selected in the Files of Type drop-down list on the Import window.
3. Select the file.
4. Choose OK.

Import Update

When importing an AIF file, a dialog box that gives you the choice of updating an existing ARGUS file or creating a new file will appear. Updating uses a separately sold module that merges data from an AIF file with an existing ARGUS file. To purchase this module, contact your ARGUS sales representative. If the module is not installed, an error message will appear. If the module is installed, a prompt will request the name of the ARGUS file to be merged with the AIF file.
OpenARGUS

OpenARGUS allows you to import to and export using Open Database Connectivity, or ODBC, technology. This feature has a variety of uses including exporting information for custom report generation using products like Crystal Reports, and exporting data to ODBC-compliant software for report generation, spreadsheet analysis, word processing, and database management.

ARGUS supports importing and exporting data from Microsoft Access databases and Microsoft SQL Server open databases. Once data is exported to an ODBC compliant structured query language (SQL) server database, it can be imported by a variety of programs including Microsoft Excel and Microsoft Word. For example, you can export ARGUS data as a Microsoft Access database and then import that data into a Microsoft Word document as a table.

ARGUS uses a combination of proprietary and open database technology to increase speed and flexibility for users. The ARGUS method provides a significant speed increase over programs that only use an open database because routine data saving is faster with a proprietary database.

**Technical Note:** The two numbers in the ARGUS master tables designate a range of ARGUS version numbers. If the ARGUS version in which the file was created falls between these numbers, that ARGUS version can read and write data from that database. For more information, contact ARGUS Technical Support.

Creating a Database and Data Source

In order to use OpenARGUS, the proper ODBC drivers must be installed. Several drivers are included in the ARGUS installation. Any existing older ODBC drivers, such as those included with Microsoft Access, are overwritten with the newer drivers during installation. The instructions in this section explain how to create both a database and a data source using Microsoft Access as an example.

1. Open the **Control Panel** from the **Settings** option on the Windows **Start** menu.
2. Double-click the **32bit ODBC** icon. The ODBC Data Source Administrator window appears.
3. Click the **Add** button. The Create New Data Source window appears.

4. Select the Microsoft Access driver and then choose **Finish**. The ODBC Setup window appears.

5. Enter a **Data Source Name** and **Description** in the appropriate fields.
6. Click the **Create** button. The New Database dialog box appears.

![New Database dialog box]

7. Choose a directory for the database, enter the file name, and click the **OK** button or press ENTER. A confirmation message appears.

![ODBC Microsoft Access 7.0 Setup]

8. Choose **OK** or press ENTER, and then close the Setup window and the Data Source window. The new database is now available for use with OpenARGUS.

**Importing and Exporting**

To use OpenARGUS for importing or exporting, from the **File** menu choose **OpenARGUS** and then choose either **Import** or **Export**, depending upon which action you wish to perform.

The Select Data Source window appears.

![Select Data Source window]
Select the data source. Depending upon whether you are importing or exporting, one of the following windows appears.

Select the property you wish to import from or export to, and then choose either the **Import** or **Export** button.

**Export Options**
The **Options** button on the OpenARGUS Export window displays the OpenARGUS Export Options window. This window lists the available export options.

**Input Assumptions**
This item only exports the input assumptions for the property. The calculated results will not be exported.
Chapter 3: Importing and Exporting

**Calculated Property Values**
This option exports the calculated property values including the cash flow and other items. This is the default option. Choose **Detail** while the **Calculated Property Values** field is active to select individual property items.

![OpenARGUS Property Detail](image)

Press OK to Save changes.

You may choose **Detail** in the Property Cash Flow **Export** field on the OpenARGUS Property Detail window and select individual Cash Flow report lines to be exported.

![OpenARGUS Property Cash Flow Detail](image)

Select All to export all report lines, Total to export only the total, or No to not export at all.
**Calculated Tenant/Unit Detail**

To select individual tenant or unit options, on the OpenARGUS Export Options window, choose **Detail** while the **Calculated Tenant/Unit Detail** field is active. This option exports a large amount of data; and therefore, takes the longest time to export.

You can use this window to select individual line items to be exported. To select all options, choose the **All** button. To clear all currently selected options, choose the **None** button.

**Output Frequency**

You may export the following calculated results:

- Monthly Results
- Annual Results
- Both Monthly and Annual Results

**Synchronize File to OpenARGUS Database**

This option allows you to automatically update the OpenARGUS data when you make changes to the original ARGUS file. For example, if you add tenants to an ARGUS file while this option is selected, ARGUS will automatically update the OpenARGUS data. Or, if you make changes to the OpenARGUS data with this option selected, ARGUS will automatically update the file the next time you open it. Note that you must export the Input Assumptions in order to synchronize a file to OpenARGUS.

**Technical Note:** Record locking will occur when OpenARGUS synchronization is used in conjunction with a Microsoft Access database. This prevents the record from being simultaneously edited, but not deleted, by multiple ARGUS sessions. ARGUS will not attempt to lock records for ODBC data sources such as Microsoft SQL or Sybase SQL servers.

**Year and Month ID in Version 8.6 Format**

This option allows you to import or export using the same format that was used in ARGUS Version 8.6. If you do not select this option, data will be imported and exported using the new format.
Importing and Exporting
Select the property, and then choose either the **Import** or **Export** button. The time required for the export process depends on the speed of the computer, the amount of network traffic, and the amount of data being imported or exported.

**Note:** Multiple ARGUS properties can be saved in the same database. An ARGUS-compatible export file is composed of several tables. However, there is only one set of tables per database, which means that each table may have records from more than one ARGUS analysis.

Deleting OpenARGUS Properties
To delete an OpenARGUS property from your OpenARGUS database, from the **File** menu choose **OpenARGUS** and then choose **Delete**.

Select the data source in which the property information resides and choose **OK**. When the OpenARGUS Property window appears, select the property you wish to delete and choose **Delete**.

You will receive the following message:

Choose **OK** to delete the property from your OpenARGUS database.

**Note:** You may use the **Batch Processing** option on the **File** menu to calculate, export, and upgrade multiple files. See the "Batch Processing" section in Chapter 2, *Getting Started*, for more information on batch processing.
The top portion of the Property menu lists several options that allow you to enter specific data about the property being analyzed. These options are:

- Description
- Timing
- Area Measures
- Inflation Rates

In addition, once you have selected one of the options above, you can access the following screens by clicking on the corresponding tabs displayed near the top of the window.

- Additional Data
- Comments
- Input Preferences
- Output Preferences

This chapter explains how to enter information on each of the screens displayed by the options and tabs above.
**Property Description**

The Property Description window is the first window that appears when you create a new file. You can access the other windows by clicking the tabs at the top of the screen, or by selecting their individual menu options from the ARGUS menu bar.

<table>
<thead>
<tr>
<th>Additional Data</th>
<th>Comments</th>
<th>Input Preferences</th>
<th>Output Preferences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Description</td>
<td>Timing</td>
<td>Area Measures</td>
<td>Property Inflation</td>
</tr>
</tbody>
</table>

- **Property Name**:
- **Address**:
- **Address2**:
- **City**:
- **State**:
- **Zip**:
- **Portfolio**:
- **Property Type**: Office/Industrial

**Property Name and Address**

The **Property Name**, **Address**, **City**, **State**, and **Zip Code** fields are optional. If you enter this information, it will be centered on the top of all reports. Upper and lower case letters and symbols are recommended.

You can omit the headings from reports. For information, see Chapter 27, *Reports and Graphs*.

**Portfolio Name**

The **Portfolio** field is optional. If you choose to enter a portfolio name, you can use your entry to specify properties to be consolidated in a portfolio. Entries made in this field will be printed on the top left side of all ARGUS reports unless you choose to omit them.
**Property Type**
This multiple-choice field, which is required, determines the windows that are available to you in other areas of the program. Select the property type from the drop-down list in the field. Once you select a property type, you cannot change it after leaving this screen. Depending upon the version of ARGUS you are using, you may choose from the following primary property types:

<table>
<thead>
<tr>
<th>Property Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office/Industrial</td>
</tr>
<tr>
<td>Retail</td>
</tr>
<tr>
<td>Office &amp; Retail</td>
</tr>
<tr>
<td>Apartment</td>
</tr>
<tr>
<td>Hotel/Morel</td>
</tr>
<tr>
<td>General</td>
</tr>
<tr>
<td>Portfolio</td>
</tr>
<tr>
<td>Unit Sales</td>
</tr>
<tr>
<td>Loan</td>
</tr>
<tr>
<td>Loan Portfolio</td>
</tr>
<tr>
<td>Senior Assisted Living</td>
</tr>
</tbody>
</table>

Once you have selected a property type, you cannot change it after leaving this screen.

**User Defined Property Types**
To further categorize properties, ARGUS allows you to create user-defined property types. These property types are global categories; once you create a user-defined property type it will be available in all of your ARGUS files with the same base property type.

Note that user-defined property types are associated with a base property type and this association cannot be changed. Once you exit the Property Description window, you can change a user-defined property type, but not the base property type.

For more information on user-defined property types, see Chapter 30, *Global Categories*.

**Internet Options**
If you have an Internet connection, this section of the window allows you to display a web site associated with the current file in the lower portion of the main ARGUS window.

To display a web site, select the **Show Browser Frame** check box and enter the address of the web site in the **Home Page Address** field as illustrated in the example above. If, at any point, you no longer wish to display the web site, you can clear this checkbox. You may also change the associated site by simply entering a different home page address. Keep in mind that the associated web site is file specific. If you wish to display the same site in multiple files, you will need to enter it in each of those files.
Exiting
To exit the Property Description window, you can choose OK to close the window and display the ARGUS initial menu screen, or you can click one of the tabs near the top of the window and enter additional property information. Either way, ARGUS will display the confirmation message below before allowing you to continue:

If the property type is correct, choose Yes. If not, choose No and select the correct property type. The message will be displayed again when you exit.

Note: You can disable the confirmation message so that it will no longer be displayed when you create a property by clearing the checkmark from the Display this message in the future option in the message.

If you have the Unit Sales module of ARGUS and you selected unit sales as the property type, the Unit Sales Description window appears after you choose Yes on the confirmation message above. This is where you specify the property size and alternate size units of measure. Your selection determines the unit type that appears in the Property Size and Alternate Size Area Measures.

Property Size and Alternate Size Units of Measure
Select the label that best describes the property measurement; you may choose Units, Lots, Homes, or Slips. Then select the label that best describes the alternate size unit of measure; you may choose from: Feet, Acres, Yards, or Meters.
Timing

The Timing window is where you enter timing information for the analysis. You can access the other property description windows by clicking the tabs at the top of the screen, or by selecting their individual menu options from the ARGUS menu bar.

<table>
<thead>
<tr>
<th>Analysis Start Date:</th>
<th>1/02</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Year Ends:</td>
<td>12/02</td>
</tr>
<tr>
<td>Years of Analysis:</td>
<td>10</td>
</tr>
</tbody>
</table>

Note: You can use the Advanced Timing input switch to enter and generate reports with a different first year. See Chapter 29, *Input Switches*, for more information on Advanced Timing.

Analysis Start Date

Enter the analysis start date. ARGUS will interpret this date as the beginning of the month. The proper format for dates in ARGUS is MM/YY. Leading zeros are not required if the month is a single digit. The default start date is the current month and year.

ARGUS always interprets analysis start dates to occur at the beginning of the month and analysis end dates to occur at the end. You do not need to enter a January start date to avoid adjusting expenses and revenue for short calendar years. ARGUS accepts all information on a full year basis, but reports according to the timeframe you choose.

<table>
<thead>
<tr>
<th>Analysis Start</th>
<th>Enter</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2002</td>
<td>1/02</td>
</tr>
<tr>
<td>January 31, 2002</td>
<td>2/02</td>
</tr>
</tbody>
</table>

The date entered in the Analysis Start Date field is critical to the analysis because it is the date from which reports begin, present value is calculated, leases without a lease start date are calculated, and rent loss from absorption space may begin. It can be the closing date for an acquisition, the valuation date for an appraisal, the initial occupancy date for a development, or the current date for portfolio analysis.

Example

If you enter an annual expense of $10,000 in an analysis with a start date of 5/02 and an end date of 11/02, ARGUS will show the expense as $5,833 in the first year, 5/02 to 11/02. The expense is $833 per month ($10,000/12), and there are 7 months in the first year (7 x $833 = $5,833).

First Year Ends

The month in which the first year ends can be the same month in which the analysis begins or it can be up to 12 months later. ARGUS interprets the 1-12 month period between these dates as Year 1. If you enter the same date in the Analysis Start Date field and the First Year Ends field, the first year will be one month long because ARGUS interprets the end date as occurring at the end of the month. When you leave this field blank, it will default to a date that is 12 months later than the date entered in the Analysis Start Date field.
Years of Analysis
ARGUS accepts whole numbers between 1 and 40 in this field, and will always calculate a full 12 months for each year entered here. If the first year of the analysis is not 12 months long, ARGUS automatically adds 1 extra full year to the analysis. The default for this field is 10.

Example
If the first year is 6 months long and the entry in the Years of Analysis field is 10, ARGUS will calculate the analysis from 7/02 through 12/02 (July 2002 to December 2012). The year of 2012 will be Year 11 on the reports. The period from 7/02 to 12/02 will be Year 1 on the reports.

ARGUS will include one additional year if you calculate the resale based on the cash flow of the year following resale, instead of the year of resale. You can select this option on the Property Purchase & Resale screen.

Note: ARGUS is limited to a 40-year analysis. Additional factors that may affect the maximum length of the analysis include the amount of available RAM and the amount of RAM allocated to ARGUS on the Data Size tab accessed by choosing System on the Options menu.

Advanced Timing
You can use Advanced Timing to enter items and produce reports beyond the original analysis period, or to produce reports with a different first year. For more information, see Chapter 29, Input Switches.

Area Measures
Area Measure categories allow you to define measurements that will be used in many facets of ARGUS, such as to determine a basis for a tenant's pro-rata share of a reimbursable expense.

Preset Area Measure Categories
The following preset area measures are available in office, retail, and industrial properties. You can create 300 total Area Measure categories.

In general and unit sales properties, you cannot create new categories, and only two preset categories are available: Property Size and Alternate Property Size. Hotel properties include these two categories plus the Occupied Room Night category.
**Property Size**
The Property Size category determines the square-measurement (e.g., footage) or total property units used to calculate the tenants' natural pro-rata shares for expense reimbursement, and property-level revenue and expense amounts, as well as to report amounts on a per measurement basis. The default size is one measurement unit (e.g., one square foot). You may enter fractional sizes.

**Note:** If you enter fractional area measures, but do not wish to display fractional sizes in reports, choose **Reports** from the **Options** menu, and select **Do not display fractional units in area measure reporting**. This option is only available if you enter fractional area measures.

If the property is a hotel, enter the total number of rooms available. If the property is an apartment or a unit sales property, enter the total number of units in the property.

**Alternate Size**
The Alternate Size category is optional. Enter the number of measurement units (e.g., square feet) of the property or the area you wish to describe. If you do not enter an alternate size, it will automatically be set to one measurement unit.

In apartment and assisted living properties, this field allows you to base expense and revenue items on size (e.g., square footage). For hotel properties, this field allows you to base expense and revenue items on an alternate number of rooms. For unit sales properties, this field allows you to base expense and revenue items on the total area of the property.

In office and retail properties, the alternate size is used when a property has two distinct areas. Expenses and revenues can be calculated based on one area. Each tenant’s pro-rata share of expenses can be calculated by using the property size or the alternate size as the base.

**Occupied Area Measures**
The values in the Occupied categories are available in the Occupied Area Measures reports. These categories are created by ARGUS and you cannot edit or delete them. The available reports depend on the tenants and Reimbursement categories in an analysis. For more information about Occupied Area Measures reports, see Chapter 27, **Reports and Graphs**.

**Occupied Pool Minor**
ARGUS calculates the values in this category using only the expenses for which the Pool Minor reimbursement method was selected in a Detailed Reimbursement category.

**Total Area Measures**
ARGUS calculates the Total categories by totaling the size (e.g., the square feet) in the specific lease type. Total area measures do not include Pool categories. In office, retail, and industrial properties, area measures are determined by the lease type selected on the Rent Roll window. The Occupied Total measure is a sum of all occupied space in the building. To override the measures calculated by ARGUS, enter a new value in the **Size** field within the category.
Creating Area Measures Categories

To create an Area Measures category, choose New on the Area Measures category window.

**Name**

Enter the name of the Area Measure category. If you selected one of the preset categories, this field will be disabled and you cannot change it.

**Determined By**

If the Area Measure category is a preset category, the Measurement option will be automatically chosen and this section will be unavailable. If the category is not a preset category, this section determines whether the category will be based on size or on occupancy.

- **Measurement**: If you select this option, ARGUS uses the entry in the Size field to establish the area measure size. To enter measurements that change over time, choose Detail while the Size field is active.

- **Occupancy**: If you select this option, ARGUS uses the combined size (e.g., total square feet) of tenants in a specific Tenant Group to establish the area measure size.

**Size/Group**

The option selected in the Determined By section controls the label displayed next to this field.

**Size**

If you selected the Measurement option, the Size label will be displayed. Enter the area size as the number of measurement units (e.g., square feet) in the Area Measure category.

**Detailed Property Sizes**

To enter multiple sizes that change over time, choose Detail while the Size field is active.

In the Date field, enter the month and year (MM/YY) in which the size is to take effect, or enter the number of months from the analysis start date until the size is to take effect. In the corresponding Amount field, enter the area size, in measurement units (e.g., square feet). To delete a detailed size, enter a new size in the Amount field.
**Group**
If you selected the **Occupancy** option, the **Group** label will be displayed. You may select an existing Tenant Group from the drop-down list in the field, or choose **Detail** while the **Group** field is active to create a new Tenant Group. See Chapter 14, *Tenant Sort and Tenant Groups*, for more information on Tenant Groups.

**Unit**
This area displays the default measurement units for the property. For office, retail, and industrial tenants, it will be in square units of measure (e.g., square feet). For apartment and assisted living properties, it will be in units; for hotel properties, it will be in rooms.

**Area Measure Minimums**
If you selected **Occupancy** in the Determined By section of the Area Measure window, you can use the **Minimum** button to set the lowest allowable size for an Area Measure category.

**Minimum**
Enter the lowest limit, in measurement units (e.g., square feet), for an Occupied Area Measure. If the size is less than your entry, ARGUS will use the minimum amount for the Occupied Area Measure unless you enter an amount in the **Adjusted Minimum** field. If you enter an adjusted minimum size, ARGUS will use the adjusted minimum size instead.

**Adjusted Minimum**
If the Occupied Area Measure is below the minimum and there is an entry in this field, ARGUS will use the adjusted minimum instead. If the Occupied Area Measure size is less than the minimum entry and you leave this field blank, then ARGUS will use the entry in the **Minimum** field as the size.
Inflation Rates

The Property Inflation tab is where you enter both the general and specific inflation rates to be applied to revenues and expenses. The default line items depend on the property type selected on the Property Description window.

The general inflation rate sets the inflation rate for all elements in an analysis unless you specifically override them with other inflation line items or fields in revenues or expenses. There are no Inflation windows for portfolio property types.

Based On

If you wish to base inflation rates upon a global Interest Rate category, you may choose it in this field. However, before you can base inflation rates on a global category, you must create the category on which they will be based. For information on global categories, see Chapter 30, Global Categories.

If you base the property inflation upon an Inflation Rates category, ARGUS will display the Adjustments field. You can use this field to specify the type of adjustments from the original category you wish to make. You may choose from the following options:

- **% (Percent) Adjust**: If you select this option, ARGUS interprets the entries in the fields below as percentages.
- **Basis Point Addition**: If you select this option, ARGUS interprets the entries in the fields below as basis point additions.

When you base property inflation on an Inflation Rates category, the Results button becomes available. Choose this button to display the results of your adjustments. To return to the Property Inflation tab, choose the Adjustments button.
Inflation Method

Select one of the following inflation types from the drop-down list in the field:

**Fiscal Inflation**
Fiscal inflation will be applied to all rates and amounts that are subject to inflation in the first month of the second fiscal year and in the same month each year thereafter.

**Example**
If an analysis with a fiscal inflation method begins on October 1, 2002 (10/02), with its fiscal year ending on September 30, 2003 (9/03), ARGUS will apply inflation to all rates and amounts subject to inflation on October 1, 2003. Inflation will continue to be applied on October 1 for each remaining year of the analysis.

**Calendar Inflation**
Calendar inflation will be applied to all rates and amounts that are subject to inflation on the first January 1 of the analysis, and each January 1 thereafter. If the analysis starts in January, inflation will not take place until the second January of the analysis.

**Example**
If an analysis with a calendar inflation method begins on October 1, 2002, with its fiscal year ending on December 31, 2002, ARGUS will apply inflation to all items subject to inflation on January 1, 2003, rather than October 1, 2003. Inflation will be applied on January 1 in each remaining year of the analysis.

**Example**
If an analysis with a calendar inflation method begins on October 1, 2002, with its fiscal year ending in September 2003, ARGUS will apply inflation to all items subject to inflation on January 1, 2003, rather than October 1, 2003. Inflation will be applied on January 1 in each remaining year of the analysis.

**Selecting the Correct Inflation Method**
If the first year of the analysis ends in December, either inflation method will produce the same results. If you select calendar inflation, no matter when the analysis begins, inflation will be applied in January of each year. To avoid blending the rates and amounts on the Cash Flow reports, you should perform a calendar year analysis by using a short first year that ends in December.

If it is not necessary to use calendar inflation, fiscal inflation is recommended. Fiscal inflation allows for easier tracking on reports. If you use calendar inflation with fiscal year timing, the amounts reported in each year will be a mix of two calendar years making tracking more complex and time consuming.

**Changing the Inflation Method**
Changing the inflation method from calendar to fiscal or fiscal to calendar will affect any calculated results. In some cases, the results may vary widely. The degree to which the results vary depends upon the difference in the number of months between the fiscal ending month and the previous December. Calculated results will be easier to track if the inflation method corresponds with the analysis timing. If you use a fiscal or short fiscal analysis, fiscal inflation will produce the results that are easiest to track.

To gain a full understanding of these two methods and their differences, you should experiment using one of your own property files as a sample.
Reimbursement Method

If you selected Calendar Inflation as the inflation method, ARGUS will automatically select Calendar Year in this field and you cannot change it.

If you selected Fiscal Inflation, choose one of the following methods to calculate and report expense reimbursements from the drop-down list in the field:

- Calendar Reimbursement using Fiscal Inflation
- Fiscal Reimbursement using Fiscal Inflation
- Calendar Reimbursement using Calendar Inflation

Note: This field is only available in office, retail, and industrial properties.

Calendar Reimbursement Using Fiscal Inflation
The calculations for this reimbursement method are as follows:

1. Using the specified inflation rates, inflation is applied to all reimbursable expenses in the first month of the second fiscal year and each fiscal year thereafter.

2. ARGUS derives calendar year expenses for January through December using the actual monthly values of various fiscal years. The calendar year used for each tenant depends on the calendar year in which the lease start date falls. This blended calendar year expense is used for calendar year expense reimbursement billing and for calculating tenants' base year expense stops.

3. The amounts owed by tenants for each calendar year are applied in 12 equal installments over that calendar year.

4. For property level reporting of the amounts collected, each monthly installment is gathered into the proper fiscal year and reported along with all other property level amounts.

The Schedule of Expense Reimbursement Revenue report shows the fiscal expenses, the calendar blending of the expenses, and the resulting fiscal year reimbursement.
Example
The analysis starts in November 2002, and the first year ends in October 2003. Expenses are $10 per square foot, with a 5% inflation rate. The following steps are used to calculate reimbursements.

1. ARGUS calculates the fiscal expense amounts. Year 1 will be the amount entered. Year 2 will be Year 1 plus 5%. Year 3 will be Year 2 plus 5%. The year before the analysis begins will be Year 1’s amount, deflated. The value for the year before the analysis plus 5% will equal the value for Year 1.

<table>
<thead>
<tr>
<th>Fiscal Years</th>
<th>Expense Amounts per Square Foot</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1:</td>
<td>10.00</td>
</tr>
<tr>
<td>Year 2:</td>
<td>10.00 + (10.00 x 0.05) = 10.50</td>
</tr>
<tr>
<td>Year 3:</td>
<td>10.50 + (10.50 x 0.05) = 11.03</td>
</tr>
<tr>
<td>Year Before analysis:</td>
<td>(10.00 / 1.05) = 9.52</td>
</tr>
</tbody>
</table>

2. The fiscal years are mixed to determine the calendar year’s operating expenses. Each fiscal year will be weighted by the number of months in the fiscal year that fall in the calendar year. In this example, every calendar year will have 10 months of one fiscal year, January through October, and 2 months of the next fiscal year, November through December.

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Fiscal Year</th>
<th>Resulting Expense</th>
<th>Amounts per Square Foot</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/02 - 12/02</td>
<td>1/02 - 12/02</td>
<td>Year before analysis + Year 1</td>
<td>((9.52 x 10 months) + (10.00 x 2 months)) / 12 months</td>
</tr>
<tr>
<td>9.60</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/03 - 12/03</td>
<td>1/03 - 12/03</td>
<td>Year 1 + Year 2</td>
<td>((10.00 x 10 months) + (10.50 x 2 months)) / 12 months</td>
</tr>
<tr>
<td>10.08</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/04 - 12/04</td>
<td>1/04 - 12/04</td>
<td>Year 2 + Year 3</td>
<td>((10.50 x 10 months) + (11.03 x 2 months)) / 12 months</td>
</tr>
<tr>
<td>10.59</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Tenants who reimburse expenses will reimburse 1/12th of the calendar year expenses in each month of the calendar year. A tenant will reimburse the same amount in January 2003 as in December 2003. If a tenant begins a lease in any month in 2003, the base year expense level will be $10.08 per square foot.

Monthly Amount Reimbursed in 2003
$10.08 / 12 months = $0.84 per month

Monthly Fiscal Expenses
Fiscal Year 1, 11/02 - 10/03
$10.00 / 12 months = $0.83 per month

Fiscal Year 2, 11/03 - 10/04
$10.50 / 12 months = $0.88 per month

The reimbursement amount is between the two fiscal amounts. The reimbursement amount is closer to fiscal Year 1’s expenses, because fiscal Year 1 is a greater portion of calendar year 2003 than fiscal Year 2. For all reimbursement calculations in 2003, the calendar amount of $0.84 per month will be used.

4. Monthly calendar reimbursements will be summed in the proper fiscal years and reported on a fiscal basis. The Expense Reimbursement Revenue report will show the results from step 1, step 2, and the resulting reimbursements on a fiscal basis. The Cash Flow report and the Individual Tenant Cash Flow & Summary will only show fiscal amounts when reported annually. For detailed tracking of expenses, print these two reports on a monthly basis.
Fiscal Reimbursement Using Fiscal Inflation

This method is very easy to track because the reimbursement timing will coincide with your input and with inflation timing. Reconciliation is not necessary because there is no blending of expense years and no offset to the inflation timing and application of reimbursements. The calculations for this reimbursement method are as follows:

1. All reimbursable expenses are inflated using the fiscal inflation method to arrive at fiscal year expenses.

2. Reimbursements are based on the amount due for each fiscal year divided into 12 equal monthly installments and applied over that fiscal year. ARGUS uses fiscal year amounts for base years and expense reimbursements. The fiscal year in which a lease start date falls is the one used for the tenant's base year stop calculations.

3. Fiscal reimbursements are reported in the same fiscal year along with all other property level fiscal amounts.

Example

This example shows an analysis that begins in November 2002 and ends in October 2003, with $10 per square foot in expenses and 5% inflation. The following steps are used to calculate reimbursements:

1. ARGUS calculates the fiscal expense amounts. Year 1 will be the amount entered. Year 2 will be Year 1 plus 5%. Year 3 will be Year 2 plus 5%.

<table>
<thead>
<tr>
<th>Fiscal Years</th>
<th>Expense Amounts per Square Foot</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1:</td>
<td>10.00</td>
</tr>
<tr>
<td>Year 2:</td>
<td>$10.00 + ( 10.00 x 0.05 ) = 10.50</td>
</tr>
<tr>
<td>Year 3:</td>
<td>$10.50 + ( 10.50 x 0.05 ) = 11.03</td>
</tr>
</tbody>
</table>

2. Tenants who reimburse expenses will reimburse $1/12th of the fiscal year expenses in each month of the fiscal year. Tenants will reimburse a different amount in January 2003, than in December 2003.

   Monthly amount paid in January 2003
   $10.00 / 12 months = $0.83 per month

   Monthly amount paid in December 2003
   $10.50 / 12 months = $0.88 per month

3. Monthly reimbursements will be summed in the proper fiscal years and reported on a fiscal basis. The first block of the Schedule of Expense Reimbursement Revenue report will show the results from step 1. The second block will show the resulting reimbursement on a fiscal basis. The Schedule of Prospective Cash Flow report and the Individual Tenant Cash Flow & Summary will report fiscal amounts; no mixing of calendar and fiscal amounts is necessary.
Calendar Reimbursement Using Calendar Inflation

The calculations for this reimbursement method are as follows:

1. Inflation will be applied to all reimbursable expenses on a calendar year basis on the first January 1 of the analysis, and each January 1 thereafter. If the analysis begins in January, inflation will be applied in the second January of the analysis.

2. The amount each tenant owes for the calendar year is applied in 12 equal installments over that calendar year. ARGUS uses calendar year amounts for base years and expense reimbursements. The calendar year in which a lease start date falls is used in tenant base year stop calculations.

3. For property level reporting of amounts collected on a fiscal basis, each monthly installment is applied to the proper fiscal year and reported along with all other property level amounts.

Example
This example also begins in November 2002, with the first year ending in October 2003. The property has $10 per square foot in expenses with an inflation rate of 5%. The following steps are used to calculate reimbursements:

1. ARGUS calculates the calendar expense amounts. The year 2002 will be the amount entered. In 2003, expenses will be Year 1 plus 5%. In 2002, expenses will be Year 2 plus 5%.

<table>
<thead>
<tr>
<th>Calendar Years</th>
<th>Expense Amounts per Square Foot</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002:</td>
<td>10.00</td>
</tr>
<tr>
<td>2003:</td>
<td>10.00 + (10.00 x 0.05) = 10.50</td>
</tr>
<tr>
<td>2004:</td>
<td>10.50 + (10.50 x 0.05) = 11.03</td>
</tr>
</tbody>
</table>

2. Tenants who reimburse expenses will reimburse 1/12th of the calendar year expenses in each month of the calendar year. Tenants will reimburse the same amount in January 2002, as they will in December 2002. If a tenant begins a lease in any month of 2002, their base year expense level would be $10.00 per square foot.

   Monthly amount paid in 2002
   $10.00 / 12 months = $0.88 per month

3. Mix the calendar years to determine the fiscal year’s operating expenses. Each calendar year will be weighted by the number of months in the calendar year that fall in the fiscal year. In this example, every fiscal year will have 2 months of one calendar year, November through December, and 10 months of the next calendar year, January through October.

<table>
<thead>
<tr>
<th>Fiscal Year Resulting Expense</th>
<th>Calendar Year Amounts per Square Foot</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/02 - 10/03 10.42</td>
<td>2002 + 2003 ((10.00 x 2 months) + (10.50 x 10 months)) / 12 months</td>
</tr>
<tr>
<td>11/03 - 10/04 10.94</td>
<td>2002 + 2004 ((10.50 x 2 months) + (11.03 x 10 months)) / 12 months</td>
</tr>
</tbody>
</table>

4. The monthly calendar reimbursement will be summed in the proper fiscal years and reported on a fiscal basis. The Schedule of Expense Reimbursement Revenue report will show the results from step 1, step 2, and the resulting reimbursement on a fiscal basis. The Schedule of Prospective Cash Flow report and the Individual Tenant Cash Flow & Summary will only report fiscal amounts. For detailed tracking of the expense numbers, print these two reports on a monthly basis.
General Inflation

The General inflation fields on the Property Inflation window are where you specify the inflation rate for all elements in an analysis except those that have been overridden by another inflation entry in a revenue or expense. These rates will be applied to all non-detailed revenues and expenses; inflation will not be applied to detailed entries for these items. Choose the Extend button to copy the entry in the active field into the fields to the right.

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

You can override the general inflation rate for individual revenue and expense items by entering a specific rate for those items on the Property Inflation window. You may also override the general inflation rate by entering a rate in the Inflation field on the corresponding revenue or expense window.

**Note:** General inflation will also be applied to leasing commissions if they were entered on a currency per measurement unit (e.g., dollars per square foot) basis.

Other Inflation Line Items

These are items for which you can enter an inflation rate that is different from the general inflation rate. The listed line items are dependent on the property type.

ARGUS always uses the specific inflation rate if an entry exists. If you do not enter a specific inflation rate for an item, ARGUS will use the general inflation rate.

**Note:** Leaving a specific inflation field blank is different from entering a zero. If you leave a field blank, ARGUS will use the general inflation rate if it exists. If you enter a zero, ARGUS will use zero inflation, regardless of the general inflation rate.
CPI Inflation

In addition to the various inflation items you can enter, ARGUS allows you to enter consumer price index (CPI) values (rather than percentages) on the Property Inflation window. To enter CPI values, you must first select the following check box on the Switches tab on the Input Switches window.

☐ Use CPI Index

When you select this option, the Year 1 field for CPI Index on the Property Inflation window is available. This allows you to enter the CPI index value (not the percentage) for each year, including Year 1.

Entering CPI Inflation

You must enter the Year 1 index as a number greater than 1. For the other years, ARGUS will interpret numbers greater than 1 as index values, and numbers less than 1 as inflation percentages over the previous year. If you enter index values for years other than Year 1, increases will be based on the entry for Year 1. If you enter a percentage for any year, ARGUS will interpret entries in the remaining years as percentages.

Note: You may also select the starting point of the index for a specific tenant on the Rent Changes window. See Chapter 8, Rent Changes, for more information.
Additional Data

The Additional Data window allows you to enter additional property description information. Any user-defined Property Labels you have created will be included in the list of available line items. See Chapter 30, Global Categories, for information on user-defined Property Labels.

You can enter up to 30 characters in each of the fields on this window. Your entries can be used as search parameters in portfolios. For information on portfolios, see Chapter 25, Portfolio Analysis.

Data Source

If you have the ARGUS Loan System, this field allows you to update fields based on the entries on the City and ZIP fields on the Property Description window. To update, choose the data source from the drop-down list in the Data Source field, and then choose Update. For information on the ARGUS Loan System, contact your ARGUS sales representative.

Comments

The Comments window is where you can enter comments about the property. You can print the comments you enter on most reports by selecting the Print Comments check box.
Input and Output Preferences

The Input Preferences window allows you to specify ARGUS data entry preferences and the Output Preferences window allows you to specify ARGUS reporting preferences. These windows are identical.

You can display the other property description windows by clicking the tabs at the top of the screen, or by selecting their individual menu options from the ARGUS menu bar.

Note: Unless you have the international version of ARGUS, and are using global Currency categories, input preferences are file specific. Contact your ARGUS sales representative for more information about the international version of ARGUS.
Input Settings
If you have the international version of ARGUS and you are using global Country Currency categories, you may select a different category from the drop-down list in the Input Settings field. To edit Country Currency categories, you must close the file, choose Global Categories, and then Country Currency from the File menu. See Chapter 30, Global Categories, for information on Country Currency categories.

Choose Detail to make any file specific changes.

Settings Category
Enter a country name to describe the currency settings.

Area Measurement Units
The fields in this area determine the units of measure (feet, yards, meters) that will be used in the analysis.

- **Measurement:** Enter the name of the unit of measure. (e.g., square feet or square meters).
- **Abbreviation for above:** Enter an abbreviation for the unit of measure. (e.g., SqFt or SqM).
Currency

This section of the window is where you set preferences for the following items:

- **Currency Name**: This is the name of the currency used. It must be the plural form of the word, such as dollars, marks, pounds, rubles, or yen.

- **Currency Symbol**: This field shows the symbol for the currency, such as $ for dollars. The needed symbols may not be available on a standard keyboard. However, you may enter monetary symbols by using an ALT key combination. ALT key combinations are discussed later in this chapter.

- **Symbol Position**: The options in this list box determine where the currency symbol will be placed in relation to the monetary amount. The “÷” symbol represents the placement of the monetary character. You may choose from the options below. Note that there is a space between the symbol and the number in the last two options.
  - ÷1.1
  - 1.1÷
  - ÷1.1
  - 1.1÷

For example, the Japanese yen symbol is placed in front of the amount, while the symbol for Russian rubles, R, is placed after the amount.

<table>
<thead>
<tr>
<th>Currency</th>
<th>Symbol Position</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yen</td>
<td>÷1.1</td>
<td>¥100</td>
</tr>
<tr>
<td>Ruble</td>
<td>1.1÷</td>
<td>100R</td>
</tr>
<tr>
<td>Dollar</td>
<td>÷1.1</td>
<td>$100</td>
</tr>
</tbody>
</table>

- **Decimal Symbol**: This field is where you can enter the character to be used as a decimal point. Different countries use different characters to denote decimal point placement. For example, the United States uses a period; Germany uses a comma as a decimal point. Commas and periods are the only entries allowed in this field.

<table>
<thead>
<tr>
<th>Country</th>
<th>Symbol</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>.</td>
<td>1.25</td>
</tr>
<tr>
<td>Germany</td>
<td>,</td>
<td>1,25</td>
</tr>
</tbody>
</table>

- **Thousands Separator**: Different countries use different characters for thousand separators. For example, Germany uses a period; the United States uses a comma. Enter the character used to denote the separation between each three digits. Commas and periods are the only entries allowed in this field.

<table>
<thead>
<tr>
<th>Country</th>
<th>Symbol</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>,</td>
<td>10,000</td>
</tr>
<tr>
<td>Germany</td>
<td>.</td>
<td>10,000</td>
</tr>
</tbody>
</table>
Conversion Factors

If you are using a currency other than U.S. dollars as the base currency for your files, the field below is where you enter the conversion factor between your input or output currency and the base currency.

| There are | 1 | Dollars in one base currency unit (Dollars) |

Note: The base currency is not necessarily the input currency or the output currency; it is the currency ARGUS uses in calculations. For information on the base currency, see Chapter 29, Input Switches.

Example

If you changed the base currency to French Francs, the above option would be displayed as shown in the example below. You would need to enter the number of dollars in one French Franc.

| There are | 1 | Dollars in one base currency unit (Francs) |

ALT Key

You can use ALT key combinations to insert symbols into the Currency Symbol field. With a US keyboard, the key combinations below will type the selected symbol. The following table shows some common currency symbols and designations.

<table>
<thead>
<tr>
<th>Region</th>
<th>Currency</th>
<th>Symbol</th>
<th>Keystroke</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States &amp; Canada</td>
<td>Dollar</td>
<td>$</td>
<td>SHIFT + 4</td>
</tr>
<tr>
<td>Great Britain</td>
<td>Pound</td>
<td>£</td>
<td>ALT + 0163</td>
</tr>
<tr>
<td>France</td>
<td>Franc</td>
<td>FF</td>
<td>FF</td>
</tr>
<tr>
<td>Germany</td>
<td>Mark</td>
<td>DM</td>
<td>DM</td>
</tr>
<tr>
<td>Italy</td>
<td>Lira</td>
<td>L.</td>
<td>L.</td>
</tr>
<tr>
<td>European Union</td>
<td>Euro</td>
<td>€</td>
<td>ALT + 0128</td>
</tr>
<tr>
<td>Mexico</td>
<td>Peso</td>
<td>$</td>
<td>SHIFT + 4</td>
</tr>
<tr>
<td>Japan</td>
<td>Yen</td>
<td>¥</td>
<td>ALT + 0165</td>
</tr>
<tr>
<td>Russia</td>
<td>Ruble</td>
<td>R</td>
<td>R</td>
</tr>
</tbody>
</table>

Note: Though ARGUS supports the use of the euro symbol (€), your version of Microsoft Windows, or your printer may not. If you experience difficulty working with euro symbols, contact Microsoft or your printer manufacturer for assistance.
CHAPTER 5

Revenue and Expense Windows

You can display the revenue and expense windows using the corresponding menu options on the Property menu. These windows include the following:

With the exception of the Escrow Balance, S-Curves, and Reference Dates windows, the revenue and expense windows are very similar and are described together in this chapter. Please note that revenue and expense windows for unit sales property types are described in Chapter 26, Unit Sales Properties.

Escrow Balance, S-Curves, and Reference Dates

In addition to the descriptions of the revenue and expense windows, this chapter includes the following three additional sections: Escrow Balance, S-Curves, and Reference Dates. These sections appear at the end of the chapter.

Following is an example of a revenue and expense window:

<table>
<thead>
<tr>
<th>Name</th>
<th>Acct Code</th>
<th>Amount</th>
<th>Units</th>
<th>Area</th>
<th>Frequent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elec. - Retail</td>
<td>1.25</td>
<td>$/Area</td>
<td>Occ. Retail</td>
<td>Year</td>
<td></td>
</tr>
<tr>
<td>Elec. - Office</td>
<td>1.10</td>
<td>$/Area</td>
<td>Occup. Office</td>
<td>Year</td>
<td></td>
</tr>
</tbody>
</table>

Leave blank to use the global inflation rate for this section. Or enter a specific growth rate, as ### or ##, for this line item. For changing inflation, press the Debit button.
Command Buttons
Each window described in this chapter has the following command buttons.

<table>
<thead>
<tr>
<th>Choose...</th>
<th>To...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close</td>
<td>Save your entries and exit the window.</td>
</tr>
<tr>
<td>Insert</td>
<td>Create a new line item just below the current active line item or at the bottom of the list if no line is active.</td>
</tr>
<tr>
<td>Copy</td>
<td>Duplicate the active line item and insert it directly beneath the original. This expedites the entry of similar line items. Once you have copied a line, simply make changes to fields that should contain different information.</td>
</tr>
<tr>
<td>Delete</td>
<td>Remove the active line item. You can only delete one line item at a time. As a precaution, ARGUS asks for confirmation when you select Delete.</td>
</tr>
<tr>
<td>Move</td>
<td>Rearrange line items into any order. To move a line, click the line to select it, and then click the Move button. Position the cursor in the new location, and then click. Move is only available when there are two or more line items entered.</td>
</tr>
<tr>
<td>Detail</td>
<td>To enter detailed information in certain fields. To access the appropriate window, choose the Detail button while the cursor is in the field for which you want to enter detailed information.</td>
</tr>
<tr>
<td>Help</td>
<td>Access the ARGUS Help system.</td>
</tr>
</tbody>
</table>

Common Fields
All the windows described in this chapter have the following fields available.

- Name
- Account Code
- Amount
- Units
- Area
- Frequency
- Percent Fixed
- Inflation
- Ref Account
- Notes

**Note:** If you enter actual amounts as well as budgeted amounts, revenue and expense windows will include two additional fields: Budgeted and Actual. For more information budgeted and actual amounts, see Chapter 29, Input Switches.

Name
You can enter up to 30 characters in the Name field on any property level window. This information prints on calculated reports exactly as you enter it.

Account Code
You can enter up to 12 characters in the Account Code field. This field is optional. Account codes will print on the Schedule of Prospective Cash Flow report when you select the Monthly with Annual Sum format or use the Print Codes for Annual, Monthly, and Quarterly option on the Cash Flow Options screen. Refer to Chapter 6, General Vacancy Loss, Credit & Collection Loss, & Budgeting Account Codes, for more information on account codes.
Amount

You can use the Amount field to define the amount of an item as a single value, or as a specific data entry method for entering detail, sub-lines, or an S-curve. Depending upon the selection in the Units field, ARGUS interprets the entry in the Amount field as any of the following:

- **Non-detailed:**
  - Percentage of Effective Gross Revenue (% EGR)
  - Currency Amount ($ Amount)
  - Currency per Area Amount ($/SqFt)
  - Tax Rate for California Proposition 13 Taxes (Prop 13A, Prop 13B)

- **Detailed:** You can use this option to enter different amounts for each month or year of the analysis.

- **Sub-lines:** You can use this option to specify that an expense be comprised of any number of individual expenses. A sub-line can contain detail, but not other sub-lines.

- **S-Curve:** You can use this option to spread any percentage of a revenue or expense item over a series of months. For more information on S-Curves, see the S-Curves section near the end of this chapter.

**Note:** The Tax Rate for California Proposition 13 Taxes option is only available in expense windows.

Amount Detail

When you choose Detail in the Amount field, the following dialog box appears.

![ARGUS dialog box](image)
Choose Detail to display the detail window for the item.

Use the scroll bars to view areas that do not fit on the window. The title bar shows the line item with which the detail is associated. The columns correspond with the years in the analysis, and the first 12 rows correspond with the months in the year, beginning with the analysis start date.

Next/Previous
You can use these buttons, which are available on detailed revenue and expense windows, to “page” through multiple detailed entries with a single click.

Input Options
You can use the Input Options button to specify how you wish to view actual and budgeted entries on the revenue and expense windows. You may view only the detailed actual entries, only the detailed budgeted entries, or both types of entry, along with variance between them.

Before you can use this feature, you must first select Input from the Options menu, and then select the following option on the Switches tab.

Select Columns to Display
Choose one of the options below to indicate the columns you wish to display.

- **Budgeted**: When you select this option, only the Budgeted columns will be displayed.
- **Actuals**: When you select this option, only the Actual columns will be displayed.
- **Variance**: When you select this option, both the Budgeted and the Actual columns, plus the variance between them will be displayed.
Show Variance As
If you choose to display variances, you must then select the type of variance you wish to display. You may choose from the following options:

- Actual minus Budgeted
- Budgeted minus Actual
- Budgeted as a Percent of Actual
- Actual as a Percent of Budgeted

Once you have selected the options you wish to view, choose OK to return to the detail window, which will now include your chosen options. ARGUS will save your selections and display the window in this manner each time you access it, until you choose a new manner in which to view the window.

Hiding Columns
You can easily hide any of the currently displayed columns by positioning the mouse pointer in the column heading and double-clicking the mouse. If you hide either the Budgeted or the Actual columns, the Variance columns will be hidden as well. If you hide the Variance columns, the Budgeted and Actual columns will be unaffected.

Note: Remember that if you selected the calendar inflation method and the first year of the analysis did not end in December, the analysis year may extend over two years. For example, if you used calendar inflation and the analysis started in August and ended in July of the following year, you would need to enter detailed amounts that occurred in February of the first year of the analysis in the corresponding field in the Year 2 column.

Depending on the setting in the Display Options window, the last three rows show the Annual Total, Inflation, and Inflated Total, or the Annual Average, Inflation, and Inflated Average. The Display Options window is explained in more detail later in this chapter.

Note: All entries are relative to the analysis start date. If you change the analysis start date, you should check detail entries for accuracy. All numbers are shown uninflated. The Inflation field in the first column will always be unavailable, as the first year is not subject to inflation. You cannot edit the Inflated Total or Inflated Average.

Command Buttons
The following buttons are available on detailed revenue and expense windows:

<table>
<thead>
<tr>
<th>Choose...</th>
<th>To...</th>
</tr>
</thead>
<tbody>
<tr>
<td>OK</td>
<td>Save your entries and exit the window.</td>
</tr>
<tr>
<td>Cancel</td>
<td>Exit the window without saving.</td>
</tr>
<tr>
<td>Extend</td>
<td>Copy the number in the active field to all of the following monthly input fields.</td>
</tr>
<tr>
<td>Column</td>
<td>Copy the column numbers in the active column to the remaining columns.</td>
</tr>
<tr>
<td>Delete</td>
<td>Delete the numbers in the active column. As a precaution, ARGUS asks you to confirm that you wish to delete a column.</td>
</tr>
<tr>
<td>Display</td>
<td>Access the Display Options window.</td>
</tr>
<tr>
<td>Help</td>
<td>Access the ARGUS Help system.</td>
</tr>
</tbody>
</table>
Changing the Display Options
ARGUS interprets numbers entered on monthly detail windows as annual totals or annual averages depending upon the selection on the Display Options window, which you can access by choosing the Display button.

**Monthly Numbers**
When you select the **Totaled** option, the detail window shows the *annual total* and *inflated total*. ARGUS sums the numbers for all months of the year and displays them in the **Annual Total** field.

When you select the **Averaged** option, the detail window shows the *annual average* and *inflated average*. ARGUS sums the numbers in each month of the year, divides them by 12, and displays them in the **Annual Average** field.

Inflation will be applied to your entries according to the inflation rate defined on the individual revenue or expense window, the general inflation rate on the Inflation Rates window, or the **Inflation** field on the detail window.

The **Inflated Total** and **Inflated Average** fields show the resulting inflation figures. (Year 1 figures are not subject to inflation.)

If you use monthly input, you must enter either an annual rate or total amounts for specific months. If the monthly input is an annual rate, select the **Averaged** option in the Monthly Numbers section on the Display Options window. If the monthly input is a currency amount, select the **Totaled** option in the Monthly Numbers section.
Example
The following example shows Year 1 with an expense that is $1.00 per square foot until July when it increases to $1.25 per square foot. Year 2 shows a $2.00 per square foot expense that is collected in January and July.

Because the Annual Total option is selected on the Display Options window, ARGUS interprets the monthly entries as monthly amounts. In Year 1, this results in a total amount of $13.50 per square foot; the total in Year 2 is $4.00 per square foot. The total in Year 3 and thereafter will be $0. Inflation is applied to this amount at the miscellaneous expenses or general inflation rate.

<table>
<thead>
<tr>
<th>Monthly Revenues - Vending Machines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>January</td>
</tr>
<tr>
<td>February</td>
</tr>
<tr>
<td>March</td>
</tr>
<tr>
<td>April</td>
</tr>
<tr>
<td>May</td>
</tr>
<tr>
<td>June</td>
</tr>
<tr>
<td>July</td>
</tr>
<tr>
<td>August</td>
</tr>
<tr>
<td>September</td>
</tr>
<tr>
<td>October</td>
</tr>
<tr>
<td>November</td>
</tr>
<tr>
<td>December</td>
</tr>
</tbody>
</table>

Annual Total | 13.5 | 4 | 0 | 0 | 0 | 0 |

Inflation
Infated Total | 13.5 | 4 | 0 | 0 | 0 | 0 |

Press OK to save changes.
The following example shows the same entries as the previous one, but the **Annual Average** option is selected on the Display Options window.

In this case, ARGUS sums the monthly entries for each year and divides them by 12 to arrive at the annual average. In Year 1, this results in an average annual of $1.125 per square foot; in Year 2, the average is $0.33 per square foot. The total in Year 3 and thereafter is $0.

### Data Precedence

The Data Precedence section on the Display Options window determines which numbers entered on the detail window remain the same when you change the selection in the Monthly Numbers section from **Totaled** to **Averaged**, or from **Averaged** to **Totaled**. The Data Precedence radio buttons are not available until you make a change.

The **Preserve Monthly** option saves the current monthly input and determines the Annual Total or Annual Average based on these numbers. The **Preserve Totals/Averages** option saves the Annual Total or Annual Average and determines the monthly numbers based on the yearly total or average.
Example
The following example shows monthly revenues using the Annual Total method. The **Totaled** option is selected in the Monthly Numbers section on the Display Options window.

The Annual Total is $1600 in Year 1. To view the totals as a yearly average, select the **Averages** option in the Monthly Numbers section on the Display Options window. Then, choose the **Preserve Monthly** option in the Data Precedence section of the window.
Once you have closed the Display Options window, the detail window appears as follows:

The Annual Average field is now displayed, showing a monthly average of $133.33.

### Units

The Units field on the revenue and expense windows determines how ARGUS interprets the entry in the Amount field. Enter items that change units of measure during an analysis on two different lines. Detailed sub-line entries are recommended for this purpose.

**Note:** The Units field is unavailable when you enter sub-lines in the Amount field. Proposition 13 is available only on expense windows.

### Percent of EGR

When you select this option, ARGUS interprets the entry in the Amount field as a percentage of effective gross revenue.

### Currency Amount

When you select this option, ARGUS interprets the entry in the Amount field as a specific currency amount (e.g., dollar amount) for the revenue or expense item. The Currency appears as it is defined in the Currency Symbol field on the Preferences window.

### Currency per Area

When you select this option, ARGUS multiplies the entry in the Amount field by the Area Measure category selected in the Area field.
Proposition 13
Proposition 13 is a California property tax law. ARGUS determines the amount of this item by multiplying the entry in the Amount field by the value of the building, which is the amount entered in the Initial Purchase Price field on the Property Purchase & Resale window. If you omitted this value, ARGUS will use the lowest present value of the property. This amount will then increase during the analysis by the amount you enter in the Inflation field. When the property is sold, the taxes will be changed to reflect the sale value. This will affect the amount the building is worth to a purchaser.

There are two methods of calculating and reporting Proposition 13 in ARGUS: Proposition 13A and Proposition 13B. Proposition 13A recalculates the Proposition 13 expense and reimbursement on the cash flow in the reversion year and recalculates the resale. Proposition 13B removes the expense from the cash flow in the resale year, but does not change the reimbursed amount. The tax rate is added to the cap rate, and the property resale is calculated from the modified cap rate. This method only works when you use a resale method with a cap rate. Proposition 13 is available on the expense windows in all property types.

Note: If you enter Proposition 13 expenses while the Net Effective Market calculation switch is selected, the Proposition 13 expenses on the Net Effective Market report will be incorrect unless you enter the property purchase price. See Chapter 17, Property Purchase & Resale, for purchase price information. See Chapter 28, Calculation Switches, for more information on Net Effective Market.

Percent of Line
This option allows you to calculate an item as a percentage of another line or lines from the Cash Flow. When you choose this option, or if you choose Detail while this field is active, ARGUS displays the Percent of Line Entries window. This window, which varies depending upon the property type, lists cash flow items that can be used to calculate revenues and expenses. Enter the percentage for items in the corresponding Percent field.
Tenant Percent of Line Detail

ARGUS allows you to calculate tenant-related line items such as rent, tenant improvements, leasing commissions, and rent abatements based on percentages specific to individual tenants. This feature is available for both Rent Roll and Space Absorption entries; however, it is not available in Apartment or Assisted Living properties.

To use this feature, select any of the tenant-related line items on the Percent of Line Entries window, and then choose Detail. The detailed Percent of Line window lists tenants entered on the Rent Roll and Space Absorption windows. Enter the percentage of the tenant-related line item to be allocated to the tenant in the corresponding Percent field.

### Percent of Line: Range

You can use the Percent of Line – Range window to enter a start date, end date, minimum, maximum, and corresponding inflation rates. This is useful, for example, in the case of a percentage management fee with a minimum and a low occupancy building.

#### Start and End Date

Specify the start and ends dates for the percent of line item by entering the month and year (MM/YY), or the number of months from the analysis start date.

#### Monthly Minimum, Maximum, and Inflation Rates

In the Minimum and Maximum fields, ARGUS interprets entries less than or equal to 25 as currency per measurement unit per month and entries greater than 25 as currency per month. Enter the inflation rate for the minimum or maximum in the corresponding Inflation field.
**Applied**
Choose one of the options below to specify when your entries will be applied to the cash flow.

**Monthly:** Select this option to apply the percentage to the cash flow on a monthly basis.

- **Specific Date:** To enter a specific date on which the item is to be applied to the cash flow, select this option and enter the month and year (MM/YY) or the number of months from the analysis start date until the amount is to be applied.

- **Set Period:** To use a Period category to specify when the percentage will be applied to the cash flow, select this option, position the cursor in the field to the right, and then choose Detail. See below for information on Period categories.

**Months Offset**
Enter a positive or negative number of months to offset the payment frequency.

**Period Categories**
To create Period categories, choose New on the Periods category window.

- **Category**
Enter a name for the new category. If you leave this field blank, ARGUS will assign a name using the following conventions: Period 1, Period 2, Period 3, etc.

- **Frequency**
Select one of the options below to specify the frequency with which the percentage is to be applied. Note that if you select Other as the frequency, you must also specify the months in the Period Beginning/Ending section below.

  - Monthly
  - Quarterly
  - Other

- **Payment Applied**
Select one of the options in this section to indicate whether the payment is to be applied at the beginning of the period or at the end.
Based On
Select one of the options in this section to indicate whether the period will be based on a fiscal or a calendar year.

Period Beginning/Ending
This section is only available if you selected Other as the frequency. If you chose Fiscal in the Based On section, the months of the analysis will be listed in this section. If you chose Calendar, the months of the year will be listed. Select the months in which the percentage range is to be applied to the cash flow.

Area
You can use the Area field on the revenue and expense windows in conjunction with the Currency per Area unit to base a revenue or expense item upon all or a portion of the property. This field is unavailable with other Units field selections. Select an option from the drop-down list in the field. To display the Area Measures category window, choose Detail while the Area field is active. See Chapter 4, Property Description Windows, for information on area measures.

Example
A department store on the first floor of an office building is charged a different fee per square foot for electricity than office tenants. The retail store has a heavier air conditioning load because they have more doors opening to the outside air. The other tenants in the building are all office tenants.

Example
This example shows a building with a floor dedicated to record storage. The floor is divided into large sections of 5,000 square feet, medium sections of 2,500 square feet, and small sections of 1,000 square feet. Miscellaneous Revenue items have been entered for leasing the space with varying amounts per square foot depending on the size and individual lease of the tenant.
Frequency

The Frequency field determines how often to apply the entry in the Amount field. Select one of the following options from drop-down list in the Frequency field.

- /Year
- /Month
- /Quarter

ARGUS will spread the entry in the Amount field over the period specified in the Frequency field. This field is not available in sub-lines, detail, percent of EGR, percent of line, or Proposition 13 entries.

Percent Fixed

You can use the Percent Fixed field to adjust for vacancy by dividing items into fixed and variable components. These divisions will be reflected on the Cash Flow reports. An entry in the Percent Fixed field will override the ARGUS default, which is 100% fixed. ARGUS adjusts the variable amount by the average physical occupancy in that year. Vacancy from months vacant (between lease terms and during absorption) is used to determine the average occupancy for the year. Vacancy entered on the General Vacancy or the Credit and Collection Loss window does not affect this calculation.

Note: This field is unavailable in items calculated using the following methods: percent of effective gross revenue, percent of line, and Proposition 13. This field is also unavailable in items with sub-lines.

ARGUS calculates the fixed portion of the expense by multiplying the entry in the Amount field by the entry in the Percent Fixed field. ARGUS then calculates the variable portion by subtracting the entry in the Percent Fixed field from 100%. Next, ARGUS multiplies the entry in the Amount field by the calculated percent variable and by the average physical occupancy to determine the variable portion of the item, adjusted for occupancy. To determine the resulting amount, ARGUS sums the fixed portion and the variable portion, adjusted for occupancy.

Calculation

Total Amount = (Amount x Percent Fixed) + (Amount x (1 - Percent Fixed) x Percent Actual Occupancy)

Example

Below are three identical examples with different building occupancies. Assume common area maintenance is $3.25/SqFt and 65% fixed. The expense item would be calculated as follows:

**Building 0% Occupied**

Fixed: 3.25 x .65 = 2.11
Variable: 3.25 x .35 x 0 = 0.00
Total Expense: = 2.11

**Building 75% Occupied**

Fixed: 3.25 x .65 = 2.11
Variable: 3.25 x .35 x .75 = 0.85
Total Expense: = 2.96

**Building 100% Occupied**

Fixed: 3.25 x .65 = 2.11
Variable: 3.25 x .35 x 1.00 = 1.14
Total Expense: = 3.25
Example
The following table shows various Percent Fixed entries for an expense that is $1 per square foot and the resulting expense per square foot. The left column shows the building occupancy.

<table>
<thead>
<tr>
<th>Actual Occupancy %</th>
<th>0</th>
<th>20</th>
<th>50</th>
<th>80</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>.00</td>
<td>.20</td>
<td>.50</td>
<td>.80</td>
<td>1.00</td>
</tr>
<tr>
<td>20</td>
<td>.20</td>
<td>.36</td>
<td>.60</td>
<td>.84</td>
<td>1.00</td>
</tr>
<tr>
<td>50</td>
<td>.50</td>
<td>.60</td>
<td>.75</td>
<td>.90</td>
<td>1.00</td>
</tr>
<tr>
<td>80</td>
<td>.80</td>
<td>.84</td>
<td>.90</td>
<td>.96</td>
<td>1.00</td>
</tr>
<tr>
<td>100</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Note that with the percent fixed set to 100, the expense does not vary with occupancy.

The higher the occupancy, the less sensitive an item is to the percentage fixed. If the building occupancy is high, the entry in the Percent Fixed field will change the resulting amounts very little. If the building occupancy is low, the entry in the Percent Fixed field is very important.

Determining the Percent Fixed
The fixed percentage of an item is the portion that will continue when the building is vacant. If an item will continue unchanged when the building is empty, the fixed percentage is 100. If an item is not applicable when the building is empty, the fixed percentage is 0. If a building is near stabilized occupancy, it may be best to leave the Percent Fixed field set at 100 since the difference in value achieved by calculating a different percentage may be negligible.

Example
Following is a list of common expenses and an explanation of the fixed percentage. This example is only a guide to help you determine the percent fixed amounts for your particular building. Buildings may have different values for the percent fixed. The building in this example has no tenants. The activity in the building is from employees and prospective tenants.

Taxes. This expense will not change with occupancy; the percent fixed should be 100%.

Insurance. This expense will not change with occupancy; the percent fixed should be 100%.

Common Area Maintenance. This expense changes with increased occupancy but will not be zero if there are no tenants. The percent fixed is determined by the size of the common area in use during leasing activity. The lobby will need to be cleaned if there is one tenant, or twenty. If the building has upper floors, the common area maintenance on un-leased floors will be very small until leased, so the percent fixed will be low. The lobby of a one-story building lobby will be in constant use. As more tenants move in, it may need to be cleaned more often, but it will still need cleaning if no tenants are there. In this case, the percent fixed will be high.

Janitorial. Because this expense will increase with occupancy, and will be zero if there are no tenants, unless the common area cleaning is included, the percent fixed should be 0% or low.

Utilities. This expense will increase with occupancy, and will not be zero if there are no tenants. The amount of electricity used in lighting the interior and exterior common areas and the temperature at which the building is maintained throughout the year affect this calculation greatly. The percent fixed will be very building or location dependent.

Note: If you enter an item as less than 100% fixed, the first year Amount should represent what the item would be if the building were 100% occupied. See the following example.
Example
In a building that is 50% occupied in the first year, with utilities expenses estimated to be 50% fixed, and a utilities budget of $20,000, if the utilities expense was entered as $20,000 and the Percent Fixed was entered as 50, the first year utilities expense would then be $15,000.

Fixed portion + (Variable portion x Physical occupancy)  
(20,000 x .50) + (20,000 x (1 - .50) x .50) = 15,000

The expense should have been entered as 26,667. This amount was determined by the formula below:

\[
\text{Budgeted Amount} = \frac{20,000}{(0.50 + (0.50 \times 0.50))} = 26,667
\]

The first year expense will then be the correct amount of $20,000.

Fixed Portion + (Variable Portion x Physical Occupancy)  
(26,667 x .50) + (26,667 x (1 - .50) x .50) = 20,000

As the building approaches full occupancy, the expense will increase above the originally budgeted amount.

Inflation
Amounts that are not a percentage of gross revenue are subject to inflation by the general inflation rate, the revenue and expense inflation rate, or the specific inflation rate entered in the Inflation field on the revenue or expense window. The Inflation Method selected on the Property Inflation tab determines when inflation is applied. To override general or section inflation, you must enter a specific rate in the Inflation field on the revenue or expense window. Entries in this field also override portfolio scenarios.

Enter the percentage as a number greater than or less than one. If you leave the Inflation field blank, ARGUS will use the general inflation or the section inflation entered on the Property Inflation window. To enter changing inflation rates, choose Detail while the Inflation field is active.

Detailed Inflation
The detailed Inflation window is similar to the detail amount window. You can only enter information in the Inflation fields on this window. You cannot enter an inflation rate for Year 1.

To copy the inflation rate from the active field to the fields to the right, choose the Extend button. ARGUS uses the specific inflation rate or the general inflation rate for any years in which no detailed inflation is entered. If you enter a 0 in an Inflation field, no inflation will be applied in that year.
Reference Account

This field allows you to enter an item that will not appear on the Cash Flow report, but can be used in other calculations or percent of line entries. Select Yes from the drop-down list in the field to specify that the item should not appear on the Cash Flow report.

**Note:** This field is not available on the Hotel Room Expense window and for sub-lines.

**Example**

You could enter a $1,000 expenditure for parking lot repair, and another for roof repair. If you selected Yes in the Ref Acct field for the roof repair and created a miscellaneous expense valued at 10% of capital expenses, the Cash Flow report would show a miscellaneous expense of $200 (10% of the total). The parking lot repair would appear on the report, but not the roof repair.

**Exceptions**

The Ref Acct field affects reimbursable expenses as described above, with the following exceptions:

- **Other Reports:** If you select Yes in the Ref Acct field for a reimbursable expense, the expense reimbursement will appear on the Individual Tenant Reimbursement Detail report and the Schedule of Expense Reimbursement report, but not on the Cash Flow report.

- **Detailed Reimbursement Method:** If you use a Detailed Reimbursement Method, it may override an entry in the Ref Acct field. In this case, the reimbursement will appear on the Cash Flow report.

**Note:** When you select Yes for a departmental revenue or expense in hotel properties, Yes is automatically selected in the Ref Acct field for the corresponding revenue or expense.

**Notes**

You can use the Notes field to enter notes and comments about the line item. To enter or edit notes, choose Detail while the Notes field is active. When you finish, choose OK to save your entries, or choose Cancel to exit without saving.

Notes will be included when you print or export most reports, but they will not be displayed when you choose to view the reports on screen.
Individual Revenue & Expense Windows

The revenue and expense windows are identical, except for their titles and the Gross Up for Reimbursement calculation option on the Reimbursable Expenses window.

Miscellaneous Revenues

Items entered on the Miscellaneous Revenues window will print on the Cash Flow report below the Expense Reimbursement Revenue line and above the Parking Revenue line.

Reimbursable Expenses

The Reimbursable Expenses window is where you enter expense items that are eligible for reimbursement by tenants. You enter expense stops for individual tenants on other ARGUS windows. You should not enter an expense on this window if it never has the potential to be reimbursed.

Enter expenses with different reimbursement methods or inflation rates separately. If the reimbursement method is expressed as a lump sum amount, you can combine the expenses into one item, and enter sub-lines for the individual expenses.

Reimbursement Calculations

You may base reimbursement calculations upon reimbursable expenses at actual occupancy, or at any grossed up level. ARGUS is preset to gross expenses up to 100% occupancy. This function is controlled by the Gross Up for Reimbursement check box and the Percent Occupancy (% Occupancy) field.
If you enter a percent fixed value of 100%, the *Gross Up for Reimbursement* option will not affect reimbursement calculations. If you enter a percent fixed value that is less than 100% and select the *Gross Up for Reimbursement* check box, the occupancy percentage will affect the amount used in reimbursement calculations. Entering a gross up percentage will not change the building expenses; only the amounts used in reimbursement calculations will be affected.

If *Gross Up for Reimbursement* is not selected, the expenses will not be modified for reimbursement calculations. The first block of the Expense Reimbursement Revenue report will show the expenses adjusted for actual occupancy. These amounts will match the reimbursable expenses shown in the Operating Expenses section of the Cash Flow report.

To change the reimbursement method without changing any data, select or clear the *Gross Up for Reimbursement* check box. If it is selected, you may change the % occupancy amount.

**Note:** If the leases in the building do not have a *Gross Up* clause, you should not select the *Gross Up for Reimbursement* check box.

**Example**

This example shows a 10,000 square foot building, in which Tenant A occupies 1,000 square feet, 10% of the building total. The building occupancy is 10% in Year 1, 50% in Year 2, and 100% in Year 3. There are three $1.00 expenses, X, Y, and Z, none of which is subject to inflation. The percent fixed for these expenses is 0, 50, and 100, respectively. Tenant A pays its natural pro-rata share of expenses.

**Year 1 - Occupancy 10%**

Tenant A pays its pro-rata share of the building, 10%, for all expenses.

<table>
<thead>
<tr>
<th>Item</th>
<th>Actual Expense</th>
<th>Adjusted for Reimbursement</th>
<th>Tenant A Reimbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>$100</td>
<td>$10</td>
<td>$1</td>
</tr>
<tr>
<td>Y</td>
<td>$100</td>
<td>$55</td>
<td>$5</td>
</tr>
<tr>
<td>Z</td>
<td>$100</td>
<td>$100</td>
<td>$10</td>
</tr>
<tr>
<td>Total</td>
<td>$300</td>
<td>$165</td>
<td>$16</td>
</tr>
</tbody>
</table>

**Year 2 - Occupancy 50%**

The expenses increase with higher occupancy. Tenant A will still pay 10% of the total expenses.

<table>
<thead>
<tr>
<th>Item</th>
<th>Actual Expense</th>
<th>Adjusted for Reimbursement</th>
<th>Tenant A Reimbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>$100</td>
<td>$50</td>
<td>$5</td>
</tr>
<tr>
<td>Y</td>
<td>$100</td>
<td>$75</td>
<td>$7</td>
</tr>
<tr>
<td>Z</td>
<td>$100</td>
<td>$100</td>
<td>$10</td>
</tr>
<tr>
<td>Total</td>
<td>$300</td>
<td>$225</td>
<td>$22</td>
</tr>
</tbody>
</table>

**Year 3 - Occupancy 100%**

With occupancy at 100%, the expenses are at their maximum. Tenant A will pay 10% of the expenses. Note that at 100% occupancy, the results using no Gross Up for Reimbursement percentage are the same as using Gross Up for Reimbursement to 100% occupancy.

<table>
<thead>
<tr>
<th>Item</th>
<th>Actual Expense</th>
<th>Adjusted for Reimbursement</th>
<th>Tenant A Reimbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>$100</td>
<td>$100</td>
<td>$10</td>
</tr>
<tr>
<td>Y</td>
<td>$100</td>
<td>$100</td>
<td>$10</td>
</tr>
<tr>
<td>Z</td>
<td>$100</td>
<td>$100</td>
<td>$10</td>
</tr>
<tr>
<td>Total</td>
<td>$300</td>
<td>$300</td>
<td>$30</td>
</tr>
</tbody>
</table>
**Gross Up For Reimbursement To 100% Occupancy**

If you select the **Gross Up for Reimbursement** option, ARGUS will calculate reimbursements at the specified occupancy level and show the expenses adjusted to that level on the Expense Reimbursement Revenue report. These numbers may not match the reimbursable expenses listed in the Operating Expenses section of the Cash Flow report.

The **Gross Up for Reimbursement** option adjusts the reimbursement revenues to the occupancy level you enter. For expenses that are 100% fixed, the reimbursement amount will be the tenant's natural pro-rata share of the building. For expenses that are completely variable, each tenant will pay its pro-rata share of the grossed up portion of the building. If the expense is partially fixed, the resulting reimbursement will be a combination of these two methods for any gross up percentage less than 100%. If the gross up percentage is 100%, ARGUS will calculate reimbursements as if the building were 100% occupied.

**Method to Use**

The method to use should be stated in the leases of the property. If you do not use a gross up percentage with net leases, reimbursements will be lower if the fixed percentage of an item and the physical occupancy of the property are both less than 100%. The net effect is that the landlord may recover less.

If reimbursements are calculated over base year expense stops, the difference between using and not using a gross up percentage depends upon the interaction of expense growth rates, fixed percentages, and changes in physical occupancy. When the building occupancy approaches 100%, the difference in reimbursements between grossing up and not grossing up reimbursable expenses is very small, with no difference for expenses that are 100% fixed.

**Non-Reimbursable Expenses**

The Non-Reimbursable Expenses window is where you enter expense items that are not eligible for recovery or reimbursement by tenants.

Items entered on the Non-Reimbursable Expenses window will print on the Cash Flow report in the Operating Expenses section directly below the Reimbursable Operating Expenses.
Capital Expenditures

Items entered on the Capital Expenditures window will print in the Leasing Capital Costs section below the Tenant Improvements and Leasing Commissions lines. Development Costs, which are discussed in the next section, will print below the expenses, revenues, and leasing and capital costs.

<table>
<thead>
<tr>
<th>Name</th>
<th>Acct Code</th>
<th>Amount</th>
<th>Units</th>
<th>Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>HVAC</td>
<td>Detail</td>
<td>$ Amount</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve</td>
<td>.1</td>
<td>$/Area</td>
<td>Property Size</td>
<td>/Year</td>
<td></td>
</tr>
</tbody>
</table>

Enter up to 50 characters for a label to describe this line item. These line items will appear on the Schedule of Prospective Cash Flow in the order in which they are entered on this window.

Development Costs

There are three development cost windows.

Land/Acquisition Costs

This window is where you enter costs related to the property acquisition.

<table>
<thead>
<tr>
<th>Name</th>
<th>Acct Code</th>
<th>Amount</th>
<th>Units</th>
<th>Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Structure Costs</td>
<td>Detail</td>
<td>$ Amount</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Parking Lot</td>
<td>1,000</td>
<td>$ Amount</td>
<td></td>
<td>Month</td>
<td></td>
</tr>
</tbody>
</table>

Press this button to close this window and return to the previous screen.

Hard/Construction Costs

This window is where you enter construction costs for the project. These may include items such as building construction materials, water lines, sewer lines, electrical systems, plumbing, elevators, drainage, grading, and road building.

<table>
<thead>
<tr>
<th>Name</th>
<th>Amount</th>
<th>Units</th>
<th>Area</th>
<th>Frequency</th>
<th>% Fixed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water and Sewer</td>
<td>Detail</td>
<td>$ Amount</td>
<td></td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>Drainage Improvements</td>
<td>Detail</td>
<td>$ Amount</td>
<td></td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>Road Construction</td>
<td>Detail</td>
<td>$/Area</td>
<td>Road</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Press this button to close this window and return to the previous screen.
Soft/Development Costs

This window is where you enter costs for items such as building permits, surveying fees, architectural fees, engineering fees, legal fees, insurance, construction management fees, developer’s fee and bonds.

These windows are typically used for building expansion, “finishing-out” part of a building, and constructing speculative buildings. An analysis using these items can include just the length of the project, and the costs can be simple amounts spread over the construction of the project. Or, the analysis can include later revenue generating periods, such as the construction of a shopping center, and the resulting 10 years of revenue from rent.

Note: You may enter a detailed amount for a development cost that is a one-time only cost in an analysis that goes beyond the time it takes to construct or renovate the building. The one-time cost can be entered in a particular month, or in a total field to be spread throughout a year.

Example

A city economic development corporation is expanding an industrial park and is preparing a site for a new building. The non-profit corporation will not sell the property, but will lease it on a long-term basis.

The existing area of the park is 150 acres, and the new portion is 30 acres. The land will cost $1.2 million and it will need fill dirt, extensions to the main water and sewer lines, drainage improvements, an extension of an existing road, and an archeological evaluation.

Other costs will include building permits, environmental permits, and surveying fees.

The Land/Acquisition Costs window is shown below. Notice that detail is used in the Amount field. This is because the item is a one-time cost and the Frequency field is not applicable. The amount detail is shown after the land costs.
Any one-time costs for a development project should be entered in this fashion, or as a total amount that will be spread throughout the year.

The hard/construction costs include fill dirt, water and sewer extensions, drainage improvements, and the road extension. Note that the road construction is based on an area measure called Road, rather than a fixed price. Costs reflect both labor and materials.

The soft/development costs include the archeological evaluation, insurance, construction management fee, architectural and engineering fees, and profit. Note some of the fees are based on user-created area measures. The archeological evaluation is based on the size of the property.
The landscaping soft/development cost is an example of a cost that continues through the analysis past the point of most of the other development costs.

S-Curves

S-Curve categories allow you to spread any percentage of a revenue or expense item over a series of months. You can specify the percentage of the item that occurs in each month. You can then reference these categories in other revenue and expense windows.

To display the S-Curves category window, select S-Curves from the Property menu, or choose S-Curves in an Amount field on a revenue or expense window.

Preset Categories

There are six preset S-Curve categories available. You cannot edit or delete any of the preset categories.
Creating S-Curve Categories

To create an S-Curve category, choose New on the S-Curves category window.

**Category**

Enter a unique name for the category. If you do not enter a name, ARGUS will assign a name using the following convention, S-CURVE 1, S-CURVE 2, S-CURVE 3, etc.

**Data Entry Columns**

The S-Curves window scrolls as you move the cursor into any areas that do not fit on the display window. The data entry columns correspond with the years in the analysis, and the first 12 rows correspond with the months in the year. The last two rows are for the Annual Total and Cumulative Total. Enter the percentage of the revenue or expense you wish to allocate in each month.

If the total of your entries is greater than 100%, you will receive a message similar to the one below.

You can either choose the Yes button in the message to continue, or choose the No button to make corrections to the previous screen.
Reference Dates

Reference Date categories allow you to base an event upon the occurrence of another event, such as the analysis start date. To display the Reference Dates category window, choose Reference Dates from the Property menu.

Preset Categories
The only preset Reference Dates category is the Analysis Start category. You cannot edit the analysis start date here, but you can create new categories that can be referenced in other windows.

Creating Reference Date Categories
To create a Reference Date category, choose New on the Reference Date category window.

Category
Enter a unique name for the category. If you do not enter a name, ARGUS will assign a name using the following convention: PHASE 1, PHASE 2, PHASE 3, etc.

Date
Select the reference date category. Until you have created additional Reference Date categories, the Analysis Start Date category will be the only one available.

Offset
Enter the number of months the date is to be offset from the selected Reference Date category.

Example
The example below shows a reference date that starts two months after the analysis start date.
Escrow Tracking

The Escrow Tracking windows allow you to enter escrow contributions and distributions, and to enter interest rates and specify whether the escrow balance should be added to the resale proceeds for the property.

Escrow contributions and distributions are both itemized and totaled on the Cash Flow reports. On the Sources and Uses of Capital report, escrow distributions are included in the Sources of Capital section; contributions are included in the Uses of Capital section.

**Escrow Contributions**
The Escrow Contributions window is similar to other revenue and expense windows in ARGUS. Note that if you enter an item on either the Escrow Contributions window or the Escrow Distributions window, it will be listed on both.

**Escrow Distributions**
The Escrow Distributions window is similar to other revenue and expense windows in ARGUS. Note that if you enter an item on either the Escrow Contributions window or the Escrow Distributions window, it will be listed on both.
**Escrow Balance**

You can use the Escrow Balance window to enter a specific interest rate to apply to the escrow balance and to indicate whether the escrow balance should be added to the resale amount. The items displayed on this window are those entered on the Escrow Contributions window, the Escrow Distributions window, or both windows.

<table>
<thead>
<tr>
<th>Escrow Line</th>
<th>Use as Additional Collateral</th>
<th>Interest Rate</th>
<th>Add to Resale</th>
<th>Type</th>
<th>Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Account 1</td>
<td>Yes</td>
<td>6</td>
<td>Yes</td>
<td>Equity</td>
<td>First Lien</td>
</tr>
<tr>
<td>Escrow Account 2</td>
<td>No</td>
<td>0</td>
<td>No</td>
<td>Capital</td>
<td>None</td>
</tr>
<tr>
<td>Escrow Account 3</td>
<td>No</td>
<td>0</td>
<td>No</td>
<td>Capital</td>
<td>None</td>
</tr>
<tr>
<td>Escrow Account 4</td>
<td>No</td>
<td>0</td>
<td>No</td>
<td>Capital</td>
<td>None</td>
</tr>
</tbody>
</table>

**Use as Additional Collateral**

This field, which is only available if you have the ARGUS Loan System, allows you to specify whether the escrow balance should be used as additional collateral for a loan. For more information on the ARGUS Loan System, contact your ARGUS sales representative.

**Interest Rate**

This field allows you to enter an interest rate that will be applied to the escrow balance. This rate will be compounded monthly.

**Add to Resale**

To add the escrow balance to the resale proceeds, select *Yes* in this field. Note that this field is not available in ARGUS Unit Sales and Development. For more information on ARGUS Unit Sales and Development, contact your ARGUS sales representative.

**Type**

This field allows you to specify whether ARGUS will interpret escrow contributions and distributions as capital or non-capital items.

- **Capital**: If you select this option, ARGUS will interpret escrow contributions and distributions as capital items.

- **Equity**: If you select this option, ARGUS will interpret escrow contributions, distributions, and debt funding proceeds of any notes funding the item as non-capital items. ARGUS will include these items in the Sources & Uses of Capital section of the Cash Flow report.

**Funding Source**

If you want ARGUS to automatically collect funds from existing debt notes, choose the debt note from which funds should be collected from the drop-down list in this field. Choose **Detail** while the field is active to display the Debt Financing category window.

**Escrow Tracking Reports**

The Escrow Tracking reports, which are available on a monthly and annual basis, show the previous balance, contributions, distributions, interest, and the escrow balance. The Previous Balance line shows any escrow balance carried over from the previous month or year. Escrow distributions cannot exceed the balance for a particular line item. The Interest line shows the interest accrued on the balance for each month or year. For more information, see the *Reports* chapter in this manual.
CHAPTER 6

General Vacancy Loss, Credit and Collection Loss, and Budgeting Account Codes

This chapter describes the following options on the Property menu:

- General Vacancy Loss
- Credit and Collection Loss
- Budgeting Account Codes

General Vacancy Loss
The General Vacancy Loss window allows you to subtract vacancy losses from the cash flow. General vacancy losses are calculated annually. The amount of general vacancy reported in each month of a fiscal year will be identical. The inflation method will not change the general vacancy calculation from a fiscal year to a calendar year. Credit & collection losses do not affect the amount of general vacancy. General vacancy does not decrease or increase physical vacancy.

<table>
<thead>
<tr>
<th>Method: Percent of Potential Gross Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Rate: 10</td>
</tr>
<tr>
<td>Overrides Based On: Tenant Groups</td>
</tr>
<tr>
<td>Overrides Affect Primary Rate As: Percent Adjust</td>
</tr>
</tbody>
</table>

Method
The following methods are available for calculating losses.

Note: The only options available for general property types are Percent of Potential Gross Revenue and Direct Input of Amounts.

No General Vacancy
This option specifies that there will be no general vacancy losses calculated.

Percent of Potential Gross Revenue
If you select this option, ARGUS calculates the loss using the Total Potential Gross Revenue line on the Cash Flow report. Total potential gross revenue includes the following items:

- Scheduled Base Rental Revenue
- Base Rental Step Revenue
- Porters' Wage Revenue
- Miscellaneous Rental Revenue
- CPI and Other Adjustment Revenue
- Retail Sales Percent Revenue
- Expense Reimbursements
- Miscellaneous Revenues
- Parking Revenue
**Percent of Scheduled Base Rental Revenue**

If you select this option, ARGUS calculates the loss using the Scheduled Base Rental Revenue line on the Cash Flow report. Scheduled base rental revenue is calculated as follows:

\[
\text{Potential Base Rental Revenue} - \text{Absorption & Turnover Vacancy} - \text{Rent Abatements} = \text{Scheduled Base Rental Revenue}
\]

**Percent of All Rental Revenue**

If you select this option, with the exception of miscellaneous revenues and parking income, ARGUS calculates the loss in the same manner used for the **Percent of Potential Gross Revenue** option. The following items used in the calculation:

- Scheduled Base Rental Revenue
- Base Rental Step Revenue
- Porters' Wage Revenue
- Miscellaneous Rental Revenue
- CPI and Other Adjustment Revenue
- Retail Sales Percent Revenue
- Expense Reimbursements

Because apartment and assisted living properties do not have base rental step revenue, CPI and other adjustment revenue, miscellaneous revenue, porters' wage, retail sales percent revenue, and expense reimbursements, this method will produce identical results as **Percent of Scheduled Base Rental Revenue** in apartment and assisted living properties.

**Direct Input of Amounts**

This method allows you to enter an exact amount. Use this method if the other methods do not calculate losses in the manner you prefer.

**Primary Rate**

The **Primary Rate** field is where you specify the percentage (5 or .05 for 5%) of general vacancy. The rate can be changed for every year of the analysis. A single entry in the field will be continued until the end of the analysis.

If you selected the **Direct Input of Amounts** option, enter the total currency amount of general vacancy losses. You may use the abbreviations K for thousands and M for millions. The amount you enter will not be subject to inflation.

To enter specific rates for various years, choose **Detail** while the field is active.

**Vacancy Loss Detail**

You can enter specific loss rates or amounts on the Vacancy Loss detail window.

Enter the rates or amounts in the corresponding **Year** fields. When you finish, choose **OK** to save your entries and return to the General Vacancy Loss window.
Overrides Based On
This field allows you to specify that overrides are to be based on any of the following groups:

- Tenant Groups
- Industry Groups
- User-Defined Groups

Overrides Affect Primary Rate As
The selection in this field determines the way that ARGUS will interpret the override rates entered for included groups. You may choose from the following:

- Percent Adjust
- Basis Point Addition
- Replace

Available Groups and Overridden Groups
Depending upon the property type, you can specify the Tenant Groups, Industry Groups, User-Defined Groups, or Unit Groups that will be used to determine vacancy losses, as well as the override rates to be used for each group.

![Available Groups and Overridden Groups Table]

The selection in the **Overrides Affect Primary Rate As** field determines how ARGUS will interpret your entry. ARGUS takes account of the following items for all included groups:

- Scheduled Base Rental Revenue
- Base Rental Step Revenue
- Porters' Wage Revenue
- Miscellaneous Rental Revenue
- CPI and Other Adjustment Revenue
- Retail Sales Percent Revenue
- Expense Reimbursements

To include a group, highlight the group and choose **Include**. If you wish to create or edit groups, click your mouse within the Available Groups box (or press TAB to activate the box) and then choose **Detail**. The Tenant Groups category window will be displayed. For more information about working with Tenant Groups, see **Chapter 14**.

Enter the rate you wish to use for that specific group in the corresponding field. Keep in mind that the name of this field will change (e.g., Percent Adjust, Basis Points, Replacement Rate) to reflect the selection in the **Overrides Affect Primary Rate As** field.

**Note:** You may use this option to exclude a major tenant's revenue from general vacancy loss calculations.
Exclude Upon Rollover
Select Yes from the drop-down list in this field if you want ARGUS to use the unadjusted primary vacancy rate to calculate general vacancy after the leases in the corresponding tenant group have expired and rolled over to market. If you select this option, ARGUS will use the adjusted primary rate for calculations until the leases expire.

If you select No in this field, ARGUS will continue to use the adjusted primary rate to calculate the general vacancy for tenant groups with expiring leases.

General Vacancy Calculation Options
The following additional options are available when you choose the Options button on the General Vacancy Loss window:

- Percent Based on Revenue Minus Absorption & Turnover Vacancy
- Reduce General Vacancy Result by Absorption & Turnover Vacancy

Based on Revenue minus Absorption & Turnover Vacancy
If you selected any methods other than No General Vacancy, or Direct Input of Amounts, and you select the Percent Based on Revenue minus Absorption & Turnover Vacancy check box, the corresponding Cash Flow report line will be reduced by the absorption and turnover vacancy.

If you do not select this check box, ARGUS will add the absorption and turnover vacancy back into the Cash Flow revenue line before calculating the amount of general vacancy. This results in the general vacancy being calculated on the potential revenue instead of the scheduled revenue.

If you selected Direct Input of Amounts, the Percent Based on Revenue Minus Absorption & Turnover Vacancy check box is not available.

The calculation of the general vacancy without using this option is as follows:

\[
\text{Cash Flow Item (Chosen by method 1-3,5)} + \text{Absorption & Turnover Vacancy} = \text{Adjusted Cash Flow Item} \\
\text{Adjusted Cash Flow Item} \times \text{General Vacancy Rate} = \text{Initial General Vacancy Amount}
\]

If you select this option, the cash flow can be used to calculate general vacancy with no modification. The calculation of the general vacancy with this option is as follows:

\[
\text{Cash Flow Item (Chosen by method 1-3,5)} \times \text{General Vacancy Rate} = \text{Initial General Vacancy Amount}
\]

You may adjust the initial general vacancy amount on the next section of the General Vacancy window.
Example
This example uses $100,000 in potential revenue and $10,000 in absorption and turnover vacancy, resulting in a cash flow line of $90,000 plus any additional revenue items. The general vacancy amount is 10%.

Reduce General Vacancy by Absorption & Turnover Vacancy

If you select this option, ARGUS subtracts absorption and turnover vacancy from the general vacancy. The reduced amount of general vacancy will then be subtracted from the cash flow. If absorption and turnover vacancy is greater than the initial general vacancy, there will be no deduction for general vacancy and the initial general vacancy will be treated as a minimum vacancy loss.

The general vacancy calculation using this option is shown below. The calculation of initial general vacancy was shown in the previous section.

Initial General Vacancy Amount - Absorption & Turnover Vacancy = Reported General Vacancy Amount

If you do not select this option, ARGUS subtracts the entire general vacancy from the cash flow without any adjustment for absorption and turnover vacancy. The initial general vacancy amount calculated in the previous section would be reported on the cash flow with no adjustment.
Example
This example uses $150,000 in potential revenue and $10,000 in absorption and turnover vacancy. This results in a cash flow line of $140,000, plus any additional revenue items, which this example does not include. The general vacancy amount is 10%. In this example, the general vacancy calculation is based on revenue minus absorption and turnover vacancy. This results in an initial general vacancy amount of $14,000.

\[
\text{Initial General Vacancy Amount} - \text{Absorption \& Turnover Vacancy} = \text{Reported General Vacancy Amount}
\]

\[
14,000 - 10,000 = 4,000
\]

The above entry will result in a general vacancy deduction of $4,000 in that period. The total amount of vacancy deducted from the cash flow is $10,000 for absorption and turnover vacancy and $4,000 for general vacancy, for a total of $14,000.

\[
\text{Initial General Vacancy Amount} + \text{Absorption \& Turnover Vacancy} = \text{Total Vacancy Amount}
\]

\[
14,000 + 10,000 = 24,000
\]

The previous example will result in a general vacancy deduction of $14,000. The total amount of vacancy deducted from the cash flow is $10,000 for absorption and turnover vacancy plus $14,000 for general vacancy, for a total of $24,000.
Credit and Collection Losses

You can use the Credit & Collection Loss option to subtract an amount attributed to bad debt, delinquencies, etc. from the cash flow. ARGUS calculates credit and collection losses annually; loss amounts do not change from month to month. General vacancy losses do not affect credit and collection losses. You can also enter credit and collection losses on the Non-Reimbursable Expenses window.

<table>
<thead>
<tr>
<th>Method</th>
<th>Percent of Scheduled Base Rental Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Rate</td>
<td>7</td>
</tr>
<tr>
<td>Overrides Based On</td>
<td>Tenant Groups</td>
</tr>
<tr>
<td>Overrides Affect Primary Rate As</td>
<td>Percent adjust</td>
</tr>
</tbody>
</table>

**Method**

The following methods are available for calculating losses.

**Note:** The only options available for general property types are Percent of Potential Gross Revenue and Direct Input of Amounts.

**No Credit nor Collection Loss**

This method specifies that there will be no credit and collection losses calculated.

**Percent of Potential Gross Revenue**

If you select this option, ARGUS calculates the loss using the Total Potential Gross Revenue line on the Cash Flow report. Total potential gross revenue includes the following items:

- Scheduled Base Rental Revenue
- Base Rental Step Revenue
- Porters’ Wage Revenue
- Miscellaneous Rental Revenue
- CPI and Other Adjustment Revenue
- Retail Sales Percent Revenue
- Expense Reimbursements
- Miscellaneous Revenues
- Parking Revenue

**Percent of Scheduled Base Rental Revenue**

If you select this option, ARGUS calculates the loss using the Scheduled Base Rental Revenue line on the Cash Flow report. Scheduled base rental revenue is calculated as follows:

\[
\text{Potential Base Rental Revenue} - \text{Absorption} \& \text{Turnover Vacancy} - \text{Rent Abatements} = \text{Scheduled Base Rental Revenue}
\]
Percent of All Rental Revenue

If you select this option, with the exception of miscellaneous revenues and parking income, ARGUS calculates the loss in the same manner used for the Percent of Potential Gross Revenue option. The following items used in the calculation:

- Scheduled Base Rental Revenue
- Base Rental Step Revenue
- Porters’ Wage Revenue
- Miscellaneous Rental Revenue
- CPI and Other Adjustment Revenue
- Retail Sales Percent Revenue
- Expense Reimbursements

Because apartment and assisted living properties do not have base rental step revenue, CPI and other adjustment revenue, miscellaneous revenue, porters' wage, retail sales percent revenue, and expense reimbursements, this method will produce identical results as Percent of Scheduled Base Rental Revenue in apartment and assisted living properties.

Direct Input of Amounts

This method allows you to enter an exact amount. Use this method if the other methods do not calculate losses in the manner you prefer.

Primary Rate

The Primary Rate field is where you enter the percentage (5 or .05 for 5 percent) of credit and collection loss. A single entry in the field will be continued until the end of the analysis. If you selected the Direct Input of Amounts option, enter the total currency amount of general vacancy. You may use the abbreviations K for thousands and M for millions. The amount you enter will not be subject to inflation. To enter specific rates for multiple years, choose Detail while the field is active.

Collection Loss Detail

You can enter loss rates or amounts for multiple years on the Collection Loss detail window.

![Collection Loss Detail](image)

Enter the rates or amounts in the corresponding Year fields.

Overrides Based On

This field allows you to specify that overrides are to be based on any of the following groups:

- Tenant Groups
- Industry Groups
- User-Defined Groups
Chapter 6: General Vacancy Loss, Credit & Collection Loss, & Budgeting Acct. Codes

Overrides Affect Primary Rate As
The selection in this field determines the way that ARGUS will interpret the override rates entered for included groups. You may choose from the following:

- Percent Adjust
- Basis Point Addition
- Replace

Available Groups and Overridden Groups
Depending upon the property type, you can specify the Tenant Groups, Industry Groups, User-Defined Groups, or Unit Groups that will be used to determine credit and collection losses, as well as the override rates to be used for each group.

The selection in the **Overrides Affect Primary Rate As** field determines how ARGUS will interpret your entry. ARGUS takes account of the following items for all included groups:

- Scheduled Base Rental Revenue
- Base Rental Step Revenue
- Porters’ Wage Revenue
- Miscellaneous Rental Revenue
- CPI & Other Adjustment Revenue
- Retail Sales Percent Revenue
- Expense Reimbursements

To include a group, highlight the group and choose **Include**. If you wish to create or edit groups, click your mouse within the Available Groups box (or press TAB to activate the box) and then choose **Detail**. The Tenant Groups category window will be displayed. For more information about working with Tenant Groups, see *Chapter 14*.

Enter the rate you wish to use for that specific group in the corresponding field. Keep in mind that the name of this field will change (e.g., Percent Adjust, Basis Points, Replacement Rate) to reflect the selection in the **Overrides Affect Primary Rate As** field.

**Note:** You can use this option to exclude a major tenant’s revenue from credit and collection loss calculations.

**Exclude Upon Rollover**
Select **Yes** from the drop-down list in this field if you want ARGUS to use the unadjusted primary rate to calculate credit and collection losses after the leases in the corresponding tenant group have expired and rolled over to market. If you select this option, ARGUS will use the adjusted primary rate for calculations until the leases expire.

If you select **No** in this field, ARGUS will continue to use the adjusted primary rate to calculate the credit and collection losses for tenant groups with expiring leases.
Budgeting Account Codes

The Budgeting Account Codes window allows you to assign alphanumeric codes of up to 12 characters for each of the Cash Flow report labels listed. In addition, you can change the report labels on this window. To display the Budgeting Account Codes window, choose Budgeting Account Codes from the Property menu.

Entering Account Codes
To enter an account code, click in the Account Code field next to the item and type the code. Press ENTER to move to the next field. When you finish, choose Close to save your entries and exit the window.

Account Code Formats
Account codes can be up to 12 characters long and use any combination of letters, numbers, or characters. They can either be left or right aligned on the Cash Flow report. For more information on account code alignment, see Chapter 27, Reports and Graphs.
Changing Report Labels

If the ARGUS defined report labels do not meet your needs, you may enter different labels containing up to 31 characters in the User Defined Line Label column. This will not change any report calculations, but the user-defined label will appear on reports in place of the default label.

<table>
<thead>
<tr>
<th>Default Line Label</th>
<th>User Defined Line Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Rental Revenue</td>
<td>Base Rental Revenue</td>
</tr>
<tr>
<td>Absorption &amp; Turnover Vacancy</td>
<td>Absorption &amp; Turnover Vacancy</td>
</tr>
<tr>
<td>Base Rent Abatements</td>
<td>Base Rent Abatements</td>
</tr>
<tr>
<td>Scheduled Base Rental Revenue</td>
<td>Scheduled Base Rental Revenue</td>
</tr>
<tr>
<td>Base Rental Step Revenue</td>
<td>Base Rental Step Revenue</td>
</tr>
<tr>
<td>CPI &amp; Other Adjustment Revenue</td>
<td>CPI &amp; Other Adjustment Revenue</td>
</tr>
<tr>
<td>Porters' Wage Revenue</td>
<td>Porters' Wage Revenue</td>
</tr>
<tr>
<td>Miscellaneous Rental Revenue</td>
<td>Miscellaneous Rental Revenue</td>
</tr>
<tr>
<td>Retail Sales Percent Revenue</td>
<td>Retail Sales Percent Revenue</td>
</tr>
<tr>
<td>Total Reimbursement Revenue</td>
<td>Total Reimbursement Revenue</td>
</tr>
</tbody>
</table>

Resetting Report Labels

To return a single user defined report label to the default report label, position the cursor in the line you wish to change, and choose the Reset button. If you wish to return all user defined labels to the default labels, choose the Reset All button.

Reporting Account Codes

For more information on printing account codes on ARGUS reports, see Chapter 27, Reports and Graphs.
CHAPTER 7

Office, Retail, & Industrial Rent Roll

The Rent Roll window is where you enter information for current leases. There is a different Rent Roll window for apartment and assisted living properties; see Chapter 22, Apartment and Assisted Living Properties, for more information. You can enter vacant blocks of space on the Space Absorption window; see Chapter 15, Space Absorption, for more information.

**Note:** You can enter vacant space on the Rent Roll or on the Space Absorption window, but you should not enter the same space in both places.

To display and edit the Rent Roll window, select **Rent Roll** from the **Tenant** menu on the ARGUS main menu screen. If the entire window is too wide to view at the same time, you may need to use the scroll arrows to scroll from side to side. The **Tenant Name/Description** field is fixed on the window; all other fields scroll left and right.

The **Tenant Name** and **Suite** fields accept the characters on most standard keyboards. These include the alphabetic characters, numerals, and the special characters displayed by using SHIFT and a numeric key. Other columns are limited to numeric entry or category references.

**Left Side of the ARGUS Rent Roll Window**

<table>
<thead>
<tr>
<th>Tenant Name/Description</th>
<th>Suite</th>
<th>Lease Type</th>
<th>Size</th>
<th>Start Date</th>
<th>Term/</th>
<th>Base/Min Rent</th>
<th>Unit of Measure</th>
<th>Rent Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systems, Inc.</td>
<td>200</td>
<td>Office</td>
<td>7,804</td>
<td>1/87</td>
<td>12/02</td>
<td>14.75</td>
<td>$/SqFt/Yr</td>
<td></td>
</tr>
<tr>
<td>Smith Leasing Co.</td>
<td>225</td>
<td>Office</td>
<td>1,675</td>
<td>9/30</td>
<td>9/02</td>
<td>14.5</td>
<td>$/SqFt/Yr</td>
<td></td>
</tr>
<tr>
<td>The Home Group</td>
<td>240</td>
<td>Office</td>
<td>2,501</td>
<td>3/31</td>
<td>12/02</td>
<td>14.5</td>
<td>$/SqFt/Yr</td>
<td>Yes</td>
</tr>
<tr>
<td>BBB Travel</td>
<td>250</td>
<td>Office</td>
<td>4,110</td>
<td>6/38</td>
<td>5/02</td>
<td>14.25</td>
<td>$/SqFt/Yr</td>
<td></td>
</tr>
</tbody>
</table>

Right Side of the ARGUS Rent Roll Window

<table>
<thead>
<tr>
<th>Tenant Name/Description</th>
<th>Retail Sales</th>
<th>Rent Abatement</th>
<th>Leasing Cost</th>
<th>Market Leasing</th>
<th>Upon Expiration</th>
<th>Renewal Prob</th>
<th>More/Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systems, Inc.</td>
<td>4.75</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smith Leasing Co.</td>
<td>4.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Home Group</td>
<td>4.25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BBB Travel</td>
<td>4.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Command Buttons
The table below lists the buttons that are displayed near the bottom of the Rent Roll window and the action the button allows you to accomplish.

<table>
<thead>
<tr>
<th>Choose…</th>
<th>To…</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close</td>
<td>Save any changes and exit the window.</td>
</tr>
<tr>
<td>Calc</td>
<td>Quickly generate Individual Tenant Cash Flow, Individual Tenant Reimbursement, and Individual Lease Value Summary reports for the active tenant. Note that this does not calculate the full property.</td>
</tr>
<tr>
<td>Insert</td>
<td>Insert a new tenant. The new tenant will be placed below the active tenant, or at the bottom of the list if no line is active.</td>
</tr>
<tr>
<td>Copy</td>
<td>Copy the active tenant line and insert it directly below the original. This is useful when you are entering information for similar tenants. You can then edit fields that should contain different information.</td>
</tr>
<tr>
<td>Delete</td>
<td>Delete the active tenant. You can only delete one tenant at a time. As a precaution, ARGUS prompts you to confirm the Delete command.</td>
</tr>
<tr>
<td>Move</td>
<td>Rearrange tenant lines into the desired order. To use, select the tenant, choose Move, and then click in the row you want to move the tenant to.</td>
</tr>
<tr>
<td>Detail</td>
<td>This button is only available when the cursor is in a field that supports the entry of detail information. Please refer to the individual field discussions for more information on the Detail button.</td>
</tr>
<tr>
<td>Direct</td>
<td>This button is only available when the cursor is in a field for which an existing category has been selected. Choose Direct while one of these fields is active to directly access the existing category.</td>
</tr>
<tr>
<td>Find</td>
<td>This button displays the Find Lease window, which you can use to quickly locate a specific lease on Rent Rolls with a large number of leases. You can also display the Find Lease window by pressing CTRL + F on the keyboard. The items listed on the Find Lease window depend upon the field that is active when you choose Find. For example, if the Tenant Name/Description field is active, the Find Lease window lists the names of the tenants entered on the Rent Roll window; if the Term/Expand field is active, the Find Lease window will list all terms and expiration dates that have been entered. To locate a lease, enter the item on the Find Lease window and choose Find, or scroll down the items listed on the window and double-click the one you wish to select. ARGUS will automatically position the cursor in the corresponding field for the selected lease. Select the Sort By check box if you want to sort the Rent Roll using the active field. Keep in mind that fields with no entries will not be included in the search.</td>
</tr>
<tr>
<td>Help</td>
<td>Access the ARGUS Help system.</td>
</tr>
</tbody>
</table>

Tenant Name/Description
You may enter up to 23 characters in the Tenant Name/Description field. The tenant name prints on Tenant reports exactly as you enter it. Since report formats use upper and lowercase letters, you should enter tenant names in upper and lowercase as well.

Note: If you intend to export reports to Microsoft Excel using the CSV file format, avoid using commas in the tenant name and suite number, as this will cause a misalignment of columns.
**Suite**

Enter a six-character label to represent the suite number, floor number, or building location of this lease. You can also leave this field blank.

**Lease Type**

Select one of the following choices from the drop-down list in the field:

- Office
- Retail
- Industrial

You cannot select option leases in this field. Option leases are created by selecting *Option* in the *Upon Expiration* field of the original lease line. You cannot change option leases to another lease type. To remove an option, you must delete the option line. ARGUS considers option leases to be of the same type as the original lease.

In addition to the preset lease types listed in the *Lease Type* field, you may also choose from any user-defined lease types you have created. For more information on user-defined lease types, see Chapter 30, *Global Categories*.

**Size**

The *Size* field is where you enter the size for the initial lease term. Because the size is used to calculate any tenant revenue or expense reimbursement items entered as an amount per measurement unit (e.g., amount per square foot), an entry in this field is required. This entry also determines a tenant's natural pro rata share of the building. You may use the abbreviations K for thousands, and M for millions. To enter changing sizes, choose *Detail* while the *Size* field is active.

**Note:** If you have the international version of ARGUS, when you choose *Detail* in the *Size* field, you will receive a message asking you to select either *Detailed Size* or *Rent Zones*. For more information about Rent Zones, see Chapter 31, *International Files*.

**Detailed Tenant Size**

You can use the Detailed Tenant Size window to enter tenant sizes that change over time.

**Date**

Enter the month and year in which the size takes effect (MM/YY) or enter the number of months from the lease start date until the size takes effect.

**Amount**

Enter the new area (square footage) as a number that is greater than or equal to one. Fractional amounts are allowed.
Start Date

For calculation purposes, ARGUS interprets all start dates as occurring at the beginning of the month. For a lease that begins at the end of the month, use the following month as the start date. For leases that begin or end in the middle of a month, read the section called Non-Beginning of the Month Lease Dates following the Method to Use section.

Note: You may also enter specific start dates by choosing the Daily Rent Calculations option on the Input Switches window. For more information on daily rent calculations, see Chapter 29, Input Switches.

Enter the lease start date using one of the following methods:

- **Blank**: If you leave the Start Date field blank, ARGUS uses the analysis start date entered on the Timing window as the lease start date. For option leases, the space will be leased immediately following the expiration of the original lease.

- **Fixed Date**: Enter the month and year in which the lease begins separated by a forward slash (/). You do not need to enter a leading zero for a one-digit month such as 9/01. ARGUS interprets dates from 1/50–12/99 as the 20th century, and dates from 1/00–12/49 as the 21st century.

<table>
<thead>
<tr>
<th>Lease Begins</th>
<th>Enter Start Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2003</td>
<td>1/03</td>
</tr>
<tr>
<td>June 30, 2002</td>
<td>7/02</td>
</tr>
<tr>
<td>November 1, 2002</td>
<td>11/02</td>
</tr>
</tbody>
</table>

- **Relative Date**: Enter the month of the analysis in which the lease will begin. For example, if you enter 12 as the start date, the lease will start at the beginning of the twelfth month of the analysis.

<table>
<thead>
<tr>
<th>Analysis Start Date: January 1, 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease Begins</td>
</tr>
<tr>
<td>--------------</td>
</tr>
<tr>
<td>June 1, 2002</td>
</tr>
<tr>
<td>November 1, 2002</td>
</tr>
<tr>
<td>January 1, 2003</td>
</tr>
</tbody>
</table>

Note: Versions of ARGUS prior to 3.0 used a relative date that was the number of vacant months before the lease began. This resulted in the lease beginning one month after the number of months entered. To attain the same start date as in previous versions, use a relative date that is one month more than the amount used in versions prior to 3.0. Upgrades from previous versions reflect this change automatically.
Chapter 7: Office, Retail, & Industrial Rent Roll

**Calculation Differences**

A *relative* start date calculates potential rent of the space for the number of months vacant. The same amount will then be subtracted from the potential rent as absorption and turnover vacancy. Entering a *fixed* start date prevents the space from having a potential rent until it is leased.

**Example**

This example shows an analysis beginning in January 2002 with a 1,000-square-foot space that is predicted to lease in January 2003. The market rent for the space is $10 per square foot and is not inflating. The first two years of the Individual Tenant Cash Flow report would be as follows:

**A) Fixed Start Date**, entered as 1/03:

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the Years ending</td>
<td>Dec-2002</td>
<td>Dec-2003</td>
</tr>
<tr>
<td>TENANT POTENTIAL GROSS REVENUE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Rental Revenue</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td>Absorption &amp; Turnover Vacancy</td>
<td>(10,000)</td>
<td></td>
</tr>
<tr>
<td>Rental Abatements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scheduled Base Rental Revenue</td>
<td>0</td>
<td>10,000</td>
</tr>
</tbody>
</table>

During the first year of the analysis, there is no potential rent and no Absorption & Turnover Vacancy.

**B) Relative Start Date**, entered as 13:

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the Years ending</td>
<td>Dec-2002</td>
<td>Dec-2003</td>
</tr>
<tr>
<td>TENANT POTENTIAL GROSS REVENUE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Rental Revenue</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Absorption &amp; Turnover Vacancy</td>
<td>(10,000)</td>
<td></td>
</tr>
<tr>
<td>Rental Abatements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scheduled Base Rental Revenue</td>
<td>0</td>
<td>10,000</td>
</tr>
</tbody>
</table>

With a relative start date, the potential rent for this space is reported in the first year of the analysis. The same amount is deducted in Absorption & Turnover Vacancy because the space is vacant.

The Scheduled Base Rental Revenue will be the same for either method, but the Base Rental Revenue and Absorption & Turnover Vacancy lines will be higher with the relative start date method. The relative start date will result in higher potential Base Rental Revenue. This higher amount of potential rent will be offset by an equal amount of Absorption & Turnover Vacancy.

**Method to Use**

For space that is immediately available to be leased, use a *relative* start date. For space that cannot be leased immediately, using a relative start date would overstate the potential revenue of a property. This means you should use a *fixed* start date for space that cannot be leased immediately. You can also use the Space Absorption window to enter vacant space.
Non-Beginning of the Month Lease Dates

Enter leases that do not begin at the beginning or end of a month using one of the following methods:

- **Simple Method**: If a lease begins and ends on the same day of the month, move the lease start and end dates to the beginning of the closest month.

  **Example**
  For a lease beginning 6/20/02 and expiring 6/20/05, enter the lease start date as 7/02 (6/20 is closer to 7/1 than to 6/1) and the expiration date as 6/05 (expiration dates occur on the last day of the month).

- **Detailed Method**: Enter the month the lease begins in the Start Date field and the month the lease ends in the Expiration Date field. Use the Rent Abatement field to deduct rent for the portions of those months in which the tenant was not there.

  **Example**
  For a lease beginning 6/20/02 and expiring 6/20/05, enter the start date as 7/02 and the expiration date as 6/05. Use the Rent Abatement field to abate 66.7% of the first month and 33.3% of the last month.

**Note**: You can enter specific start dates by choosing the Daily Rent Calculations option on the Input Switches window. For more information, see Chapter 29, Input Switches.

Term/Expire

Enter the lease expiration date using one of the following methods:

- **Fixed Date**: Enter the month and year in which the lease expires. ARGUS assumes all expirations occur at the end of the month. A lease with an expiration date of 12/02 will expire on December 31, 2002.

<table>
<thead>
<tr>
<th>Lease Ends</th>
<th>Enter Expiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2002</td>
<td>12/02</td>
</tr>
<tr>
<td>January 1, 2003</td>
<td>12/03</td>
</tr>
<tr>
<td>June 30, 2002</td>
<td>6/02</td>
</tr>
</tbody>
</table>

- **Term Length**: Enter the number of whole years in the term length of the lease.

<table>
<thead>
<tr>
<th>Lease Begins</th>
<th>Lease Ends</th>
<th>Enter Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2002</td>
<td>December 31, 2007</td>
<td>6</td>
</tr>
<tr>
<td>January 1, 2002</td>
<td>January 1, 2007</td>
<td>5</td>
</tr>
<tr>
<td>June 1, 2003</td>
<td>May 31, 2008</td>
<td>6</td>
</tr>
</tbody>
</table>
**Base/Min Rent**

This field is where you specify the base rent amount for the tenant. The selection in the *Unit of Measure* field determines how ARGUS interprets the entry in this field. You may use the abbreviations K for thousands and M for millions. To delete detailed base rent, enter a new amount in the *Base/Min Rent* field.

ARGUS defaults entries of less than 500 as a currency amount per measurement unit per year, and entries greater than 500 as a currency amount per year (e.g., $/year). You may select a different unit of measure if necessary.

**Note:** The measurement unit is specified on the Preferences window. You can access this window by choosing *Detail* on the Input Preferences tab.

**Example**

A tenant occupies 12,000 square feet and leases the space for $5/Sq.Ft./Yr. The highest measurement per square foot on the Input Switches window is set at $500. The rent can be entered in the following ways.

<table>
<thead>
<tr>
<th>$/Sq Ft/Year</th>
<th>$/Year</th>
<th>$/Yr (k abbreviation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>60,000</td>
<td>60k</td>
</tr>
</tbody>
</table>

If you leave this field blank and select %Market (percent of market) in the *Unit of Measure* field, the inflated new market rent that is applicable when the lease starts will be the base rent for the term of this tenant's lease. You enter market rent in Market Leasing Assumptions categories. If you use % Market for an option term, ARGUS will use the inflated renewal market rent.

**Detailed Base Rents**

You can enter and edit multiple rent rates by choosing *Detail* while the *Base/Min Rent* field is active. You can specify that the rents begin at different times and use different units of measure. Detailed rent changes do not continue in future terms.

Specific changes in the tenant's base rent appear on the Base Rental Revenue line of the Cash Flow report. The other methods of changing the tenant's rent are accessed through the *Rent Changes* field on the Rent Roll window and the same field on the Market Leasing Assumptions window.

**Date**

Enter the month and year in which the rent is to take effect (MM/YY) or enter the number of months from the lease start date until the rent is to take effect.

**Example**

The following examples show a 5-year lease beginning in January 2000, with rent increases of $1 each year. The example on the left uses fixed dates; the example on the right shows the same information entered using relative dates.
**Amount and Unit**
Enter the base rent amount and select one of the following methods from the drop-down list in the **Unit** field. You may use the abbreviations K for thousands and M for millions.

**Note:** In previous versions of ARGUS an “E” in the **Date** field was used to designate whether an amount was subject to annual increases. The “E” is no longer supported in detailed Base Rent windows. Use the **Percent Increase Annual** unit.

- **Currency per Measurement Unit per Year:** If you select this option, ARGUS multiplies the entry in the **Amount** field by the measurement unit per year. ARGUS defaults entries that are less than or equal to the entry in the **Highest per Area Measure Unit** field in the Input Switches window as per measurement unit per year amounts.

- **Currency per Measurement Unit per Month:** If you select this option, ARGUS multiplies the entry in the **Amount** field by the measurement unit per month.

  **Note:** If you select **Rents Entered Monthly** on the Input Switches window, ARGUS defaults amounts that are less than or equal to the entry in the **Highest per Area Measure Unit** field in the Input Switches window as per measurement unit per month amounts.

- **Currency Amount per Year:** If you select this option, ARGUS interprets the entry in the **Amount** field as annual rent. If you do not select a unit, this option is the default for entries greater than 500.

- **Currency Amount per Month:** If you select this option, ARGUS interprets the entry in the **Amount** field as a monthly rent amount.

- **Percent Increase (% Increase):** If you select this option, ARGUS interprets the entry in the **Amount** field as a percentage. If you select this option and leave the **Amount** field blank, ARGUS will use CPI inflation or general inflation. The rent entered in the previous line in the Detailed Base Rent window will be increased by this percentage on the designated date. You can only select this option after entering a rent amount on a previous line. If you use it on the first line of a Detailed Base Rent window, you will receive an error message. The following formula is used to calculate a percent increase:

  \[
  \text{Percent Increase} \times \text{Previous Rent} = \text{Increase} \\
  \text{Increase} + \text{Previous Rent} = \text{Rent Generated}
  \]

- **Percent Increase Annually (% Inc Annual):** If you select this option, ARGUS interprets the entry in the **Amount** field as a percentage. The rent entered in a previous line in the Detailed Base Rent window will be increased by this percentage each year. You can only select this option after entering a rent amount on a previous line. If you use it on the first line of a Detailed Base Rent window, you will receive an error message.

**Example**
This lease begins at $2 per square foot. The rent increases by 3% for 2 years. Then the rent increases by 5% each year. Note that the % **Increase** option was selected for the second and third items in this example, and the % **Increase Annual** option was selected for the final item.

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>$/Sft/Mo</td>
</tr>
<tr>
<td>13</td>
<td>3</td>
<td>% Increase</td>
</tr>
<tr>
<td>26</td>
<td>3</td>
<td>% Increase</td>
</tr>
<tr>
<td>37</td>
<td>5</td>
<td>% Inc, Annual</td>
</tr>
</tbody>
</table>
These entries will generate the following results for a tenant renting 5,000 square feet of space.

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount &amp; Unit Input</th>
<th>Rent Rate</th>
<th>Rent /Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$2/sq. ft./ month</td>
<td>$2/sq. ft./month</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>13</td>
<td>3% Inc.</td>
<td>$2.06/sq. ft./month</td>
<td>$10,300.00</td>
</tr>
<tr>
<td>25</td>
<td>3% Inc.</td>
<td>$2.12/sq. ft./month</td>
<td>$10,610.00</td>
</tr>
<tr>
<td>37</td>
<td>5% Inc., Annual</td>
<td>$2.23/sq. ft./month</td>
<td>$11,140.00</td>
</tr>
<tr>
<td>49</td>
<td>—</td>
<td>$2.34/sq. ft/month</td>
<td>$11,697.00</td>
</tr>
</tbody>
</table>

**Percent of Market (% Market):** If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the inflated new market rent in the associated Market Leasing Assumptions. Inflated renewal market rent will be used for option leases. ARGUS uses 100% of new market rent in detailed base rent if you leave the Amount field blank and select this option.

**Percent of Market Annually (% Mkt Annual):** If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the associated Market Leasing Assumptions. The rent will change by the percentage. ARGUS uses 100% of the market rate in detailed base rent if you leave the Amount field blank and select this option.

**Example**

This lease begins at 10% of market rent. After a year, the rent rises to 11% of market rent. In the 4th year, the rent is 25% of market rent and continues at that rate until the end of the lease.

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10 % Market</td>
<td>✔</td>
</tr>
<tr>
<td>13</td>
<td>11 % Market</td>
<td>✔</td>
</tr>
<tr>
<td>37</td>
<td>25 % Mkt, Annual</td>
<td>✔</td>
</tr>
</tbody>
</table>

Assuming inflation is 0%, and the lease lasts for 11 years, the rent from the above entries for a 5,000 square foot tenant is shown below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount &amp; Unit Input</th>
<th>New Market Rent</th>
<th>Rent/Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10 % of Market</td>
<td>$10/SqFt/Year</td>
<td>$5,000</td>
</tr>
<tr>
<td>13</td>
<td>11% of Market</td>
<td>$10/SqFt/Year</td>
<td>$5,500</td>
</tr>
<tr>
<td>37</td>
<td>25 % Mkt, Annual</td>
<td>$10/SqFt/Year</td>
<td>$12,500</td>
</tr>
<tr>
<td>49</td>
<td>—</td>
<td>$10/SqFt/Year</td>
<td>$12,500</td>
</tr>
<tr>
<td>61</td>
<td>—</td>
<td>$10/SqFt/Year</td>
<td>$12,500</td>
</tr>
<tr>
<td>73</td>
<td>—</td>
<td>$15/SqFt/Year</td>
<td>$18,750</td>
</tr>
<tr>
<td>109</td>
<td>—</td>
<td>$15/SqFt/Year</td>
<td>$18,750</td>
</tr>
<tr>
<td>121</td>
<td>—</td>
<td>$15/SqFt/Year</td>
<td>$18,750</td>
</tr>
</tbody>
</table>

**Market Review:** If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the tenant’s Market Leasing Assumptions. ARGUS resets the tenant’s rent to the market rent (or the percentage of the market rent entered in the Amount field) specified in the Market Leasing Assumptions and recalculates the base year stop for the tenant if they have one. To use 100% of the market rent, leave the Amount field blank or enter 100.
Market Review Up: If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the tenant’s Market Leasing Assumptions. ARGUS compares the tenant’s rent to the market rent (or the percentage of the market rent entered in the Amount field). If the tenant’s rent is lower, ARGUS will raise it to the market rent, or the specified percentage of market rent. If the tenant has a base year stop, it will be recalculated regardless of whether the tenant’s rent is higher or lower than the market rent. To use 100% of the market rent, leave the Amount field blank, or enter 100.

Market Review Down: If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the tenant’s Market Lease Assumptions. ARGUS compares the tenant’s rent to the market rent (or the percentage of the market rent entered in the Amount field). If the tenant’s rent is higher, ARGUS will lower it to the market rent, or the specified percentage of market rent. If the tenant has a base year stop, it will be recalculated regardless of whether the tenant’s rent is higher or lower than the market rent. To use 100% of the market rent, leave the Amount field blank, or enter 100.

Note: The Market Review, Market Review Up, and Market Review Down options are only available in the international version of ARGUS. For more information about the international version of ARGUS, contact your ARGUS sales representative.

Unit of Measure
Select the unit of measure that corresponds with the entry in the Base/Min Rent field. The selection in this field determines how ARGUS interprets the entry in the Base/Min Rent field.

In the descriptions below, currency and units refer to entries on the Input Preferences window. For example, currency symbols may be $ or £; units may be SqFt (square feet) or SqM (square meters). You may choose from the following units:

- Currency per Measurement Unit per Year: If you select this option, ARGUS multiplies the entry in the Base/Min Rent field by the measurement unit on a yearly basis. Amounts that are less than or equal to the Highest per Unit field in the Input Switches window will be interpreted as per measurement unit per year amounts.

- Currency per Measurement Unit per Month: If you select this option, ARGUS multiplies the entry in the Base/Min Rent field by the unit on a monthly basis. If you select Rents Entered Monthly on the Input Switches window, this option will be the default when you enter amounts that are less than or equal to the entry in the Highest per Unit field in the Input Switches window.

- Currency Amount per Year: If you select this option, ARGUS interprets the entry in the Base/Min Rent field as an annual rent.

- Currency Amount per Month: If you select this option, ARGUS interprets the entry in the Base/Min Rent field as a monthly rent amount.

- Percent of Market (% Market): If you select this option, ARGUS interprets the entry in the Base/Min Rent field as a percentage of the New Market Rent in the tenant’s Market Leasing Assumptions category. Renewal market rent will be used for option tenants. ARGUS uses 100% of the new market rent in a detailed base rent if you leave the Amount field blank and select Percent of Market as the unit of measure.
Rent Changes

The Rent Changes field allows you to enter changes to the tenant's rent. Rent changes will be reported on their own line on the tenant Cash Flow reports. When there are no rent changes, you may leave this field blank. To enter rent changes, choose Detail while the Rent Changes field is active.

The Rent Changes window includes the following major sections:

- Step Rent
- Porters' Wage
- Miscellaneous Rent
- CPI Rent
- Parking

If you enter any rent changes, the word Yes will be displayed in the Rent Changes field of the current tenant on the Rent Roll window. Select No if you later decide you do not need them.

**Note:** ARGUS treats parking revenue entered on the Rent Changes window as Miscellaneous Revenue on the Cash Flow report.

Rent changes entered from the Rent Roll and Space Absorption windows do not continue in future terms. You must enter rent changes for future terms in the Market Leasing Assumptions. For a complete description of rent changes, see Chapter 8, Rent Changes.
Retail Sales Rent Changes

The Retail Sales field allows you to enter the tenant's sales percentage rent. Changes in rent entered in this section will be reported on their own line on the tenant Cash Flow reports. When there are no retail rent changes, you may leave this field blank.

To enter retail sales rent changes, choose Detail while the Retail Sales field is active. If you enter any retail rent changes, the word Yes will be displayed in the Retail Sales field for the current tenant on the Rent Roll window.

The Retail Sales Rent Changes window includes the following major sections:

- Volume
- Percent
- Breakpoint
- Secondary Sales Category

Retail sales rent changes will continue in future terms unless there is an entry in any of the Retail Sales fields on the Market Leasing Assumption Rent Changes window.

For a complete description of retail sales rent changes, see Chapter 10, Retail Sales Rent Changes.

Reimbursements

If you leave the Reimbursements field blank, ARGUS automatically enters an expense reimbursement method. Note that this differs from versions prior to 3.0, which used the reimbursement method in the Market Leasing Assumptions if the Reimbursements field on the Rent Roll window was left blank.
**Selecting a Method**  
Select one of the following reimbursement methods from the drop-down list in the **Reimbursements** field. You cannot delete or edit any of these methods.

- **Net:** If you select this option, the tenant will reimburse its full pro-rata share of reimbursable expenses.

- **Base Stop:** If you select this option, ARGUS establishes a base year expense stop for the tenant. The tenant will reimburse its pro-rata share of reimbursable expenses above the base level.

- **None:** If you select this option, the tenant will not reimburse any expenses.

**Entering a Specific Stop Amount**  
Enter a specific total expense stop amount. ARGUS will apply this amount to all reimbursable operating expenses. A tenant will pay its pro-rata share of reimbursable expenses above the stop. Use the *base stop* method if you want ARGUS to calculate it for you.

**Detailed Reimbursements**  
To enter detailed reimbursement information, choose **Detail** while the **Reimbursement** field is active. Option leases will not be affected by the reimbursement method of the original lease. This is true even if you used a Detailed Reimbursement Method for the original lease that was to last for more than one term. For option leases, you must reference the same Detailed Reimbursement Method. For information about detailed reimbursements, see Chapter 11, *Detailed Reimbursement Methods*.

**Note:** The stop entered here will apply to the current term only. At renewal, the expense reimbursement method used in the Market Leasing Assumptions will take effect.

**Rent Abatements**  
This field is optional. If there is no free rent, or if the free rent was applied before the analysis, leave this field blank. If you leave the field blank, no rent abatements will be applied in the current lease term. To abate 100% of the base rent and CPI rent at the beginning of the lease, enter the number of months of abatement in this field.

**Example**  
Tenant A has 3 full months of free rent, Tenant B has 1.5 months of free rent, Tenant C has no free rent, and Tenant D has 12 full months of free rent. All free rent is applied at the beginning of their leases.

<table>
<thead>
<tr>
<th>Tenant Name/Description</th>
<th>Rent Abatement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant A</td>
<td>3</td>
</tr>
<tr>
<td>Tenant B</td>
<td>1.5</td>
</tr>
<tr>
<td>Tenant C</td>
<td></td>
</tr>
<tr>
<td>Tenant D</td>
<td>12</td>
</tr>
</tbody>
</table>

**Detailed - Rent Abatement Categories**  
The detailed rent abatement method allows you to enter multiple periods in the lease to be abated, each with a different percent. Abatements in future terms are described in the Market Leasing Assumptions. To enter rent abatement detail, choose **Detail** while the **Rent Abatement** field is active. See Chapter 9, *Rent Abatements*, for information on Rent Abatement categories.
Leasing Costs

The Leasing Costs field allows you to enter leasing commissions and tenant improvements. If the tenant does not pay leasing commissions or tenant improvements, you can leave this field blank. To enter leasing costs, choose Detail while the Leasing Costs field is active.

Tenant Improvements

You can enter tenant improvements as an amount or as a category reference. Leave this field blank if there are no tenant improvements. Tenant improvement amounts will be applied in the first month of the lease.

**Entering an Amount**

Enter the tenant improvement amount as a currency per measurement unit amount (e.g., dollars per square foot). This amount will not be subject to inflation.

**Example**

The following example shows a tenant improvement amount of $12.00 per square foot.

Referencing a Category

Tenant Improvement categories allow you to specify that tenant improvements inflate over time. This is useful for the leasing of a large amount of vacant space. Another advantage to referencing a category is that tenant improvement amounts can be changed for a large number of tenants by changing one category. To reference a category, select one from the drop-down list in the Tenant Improvement field on the Leasing Costs window.

Creating a Tenant Improvement Category

To create Tenant Improvement categories, choose Detail while the Tenant Improvement field is active. For information on Tenant Improvement categories, see Chapter 12, Leasing Costs.
Leasing Commissions
You can enter leasing commissions as a percentage or as a category reference. These methods are described below. Referencing a category allows you to enter the leasing commission with different measures and different payment schedules. Leave this field blank if there are no leasing commissions.

Entering an Amount
Enter leasing commissions as a percentage of base rent + step rent – free rent. You can enter this amount as a number greater than or less than one (5 or .05 = 5%). To enter leasing commissions as a currency per measurement unit (e.g., dollar per square foot) amount, or allow them to change over time, you must use a category.

Example
This tenant has a leasing commission of 5% of base rent + step rent – free rent. The amount will be calculated for the entire lease term, but will be applied in the first month.

Referencing a Category
Categories allow you to specify that leasing commissions vary over time or have different units of measure. To reference a category, select one from the drop-down list in the Leasing Commissions field on the Leasing Costs window.

Creating a Leasing Commission Category
To create or edit Leasing Commission categories, choose Detail while the Leasing Commissions field is active. See Chapter 12, Leasing Costs, for more information on Leasing Commission categories.

Market Leasing Assumptions
When beginning a new property, if you do not create a Market Leasing Assumption category when the Market Leasing field is active, the Market Leasing Assumptions window appears automatically when you exit the Rent Roll window. You must create at least one category before going on.

Market Leasing Assumptions allow you to set up the market conditions that ARGUS will use after the current tenant leases expire. Market Leasing Assumptions are needed for all tenants, even if the tenants do not renew in the analysis time frame. For current tenants, the Market Leasing Assumptions will only be referenced when you select Percent of Market.

You may use the same Market Leasing Assumption category for all tenants, or you can create a different category for each tenant. To reference an existing Market Leasing Assumption category, select the category from the drop-down list in the Market Leasing field. To add a category, choose Detail while the field is active.

For information on Market Leasing Assumptions, see Chapter 16, Market Leasing Assumptions.
Upon Expiration

The Upon Expiration field determines what happens to the space when the current lease expires. You may choose from the following options:

- **Market**: Selecting this option indicates that the space will be re-leased according to the weighted average parameters in the associated Market Leasing Assumptions. If you select Market, you can enter a renewal probability percentage in the Renewal Probability field. After the first lease expires, the space will be re-leased using the information in the Market Leasing Assumptions.

- **Renew**: Selecting this option indicates that the space will be re-leased according to the parameters in the associated Market Leasing Assumptions. The lease will have a 100% probability of renewing. The renewal probability in the Market Leasing Assumptions will not be used after the lease expires, i.e., the first rollover. Only the renewal values in the Market Leasing Assumptions will be used for the first rollover. No weighting with the new values will occur. After the first rollover, the space will be re-leased using the information in the Market Leasing Assumptions.

- **Vacate**: Selecting this option indicates that the space will be re-leased according to the parameters in the associated Market Leasing Assumptions. The lease will have a 0% probability of renewing. The renewal probability in the Market Leasing Assumptions will not be used for the first rollover. Only the new values in the Market Leasing Assumptions will be used for the first rollover. No weighting with the renewal values will occur. After the first rollover, the space will be re-leased using the information in the Market Leasing Assumptions.

- **Option**: Selecting this option indicates that an option lease will be created. Option leases display the word Option in the Lease Type field. An option is a continuation of the original lease. You cannot enter the start date for an option lease. It will begin in the month following the expiration of the original lease. When the option lease is created, it copies the same entries listed on the original lease except for the Lease Type, Start Date, and Upon Expiration fields. You can change any other fields to reflect the information in the lease clauses, such as leasing commissions and tenant improvements.

- **ReAbsorb**: Selecting this option ends revenue from the space when the lease expires. To re-lease the space, you must enter it again on either the Rent Roll or the Space Absorption window. This selection is useful for splitting a large tenant's space into space for smaller tenants or combining several small spaces into a single space for a large tenant.

- **Non-Contiguous**: This option allows you to link multiple lines on the Rent Roll into one lease. To enter non-contiguous leases, you should select this option for the first lease entered. When you select this option, the Renewal Probability field for the first line will be unavailable and another line will be created with the word Continuation displayed in the Lease Type field. In addition, the Start Date and Expiration fields in the new line will be unavailable. Non-contiguous leases run at the same time as the first lease, not after the first lease. You will enter the renewal probability for the entire lease on the last line for that lease. You may report all lease lines that are part of the same lease on one sheet by choosing the Combine Non-Contiguous leases option on the Individual Tenant Reports window.
Intelligent Renewals
Intelligent Renewal categories provide you with flexibility in determining the renewal base rent for tenants. They allow you to renew a lease base rent using the lesser or greater of the last month’s rent, a contract rent rate, or a Market Leasing Assumption category. Also, you can use Intelligent Renewal categories to compare the last, contract, and market renewal rates. You can then preset the renewal to use the larger or smaller of the two sets of rates.

To create Intelligent Renewal categories, choose **Detail** while the **Upon Expiration** field is active. When the Intelligent Renewal category window appears, choose **New**.

**Category**
Enter a unique category name. If you leave this field blank, ARGUS assigns a name using the following convention: Int. Rnw1, Int. Rnw2, Int. Rnw3, etc.

**Last or Contract Rent**
This section determines the rent renewal rate based on the rate during the last month of the tenant’s lease or a specified contract rate.

**Use Percent of**
Enter the percentage of the last rent or contract rent that you wish to use.

**Last Rent**
This option specifies that the rent for the last month of the property’s lease will be used to determine the new rent.
Define
The Define button is only available when you select the Last Rent option. Choose this button to select components from the last month of the lease used to determine the Last Rent.

<table>
<thead>
<tr>
<th>Include in Last Rent:</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Base Rent</td>
</tr>
<tr>
<td>□ Step Rent</td>
</tr>
<tr>
<td>□ Portors' Wage</td>
</tr>
<tr>
<td>□ Miscellaneous Rent</td>
</tr>
<tr>
<td>□ CPI Rent</td>
</tr>
<tr>
<td>□ Sales Percent Revenue</td>
</tr>
<tr>
<td>□ Reimbursements</td>
</tr>
<tr>
<td>□ (Base Rent Abatement)</td>
</tr>
</tbody>
</table>

Note: The last option, [Base Rent Abatement], is subtracted from the rent, rather than added to the rent as the other options are.

Contract Rent
This option allows you to enter a rent rate that is different from the last rent rate of the property. If you select this option, enter the contract rent rate on a per measurement unit per year basis (e.g., per square foot per year). This rate is subject to the percentage entered in the Use Percent Of field. If you select this option, but leave the corresponding field blank, ARGUS assumes that the rent is zero.

New Rent Based On
This section determines whether ARGUS uses the Last or Contract Rent section or the Market Rent section to determine a renewal rent.

- Lesser: If you select this option, ARGUS compares the Last/Contract Rate and Market Leasing Assumptions weighted renewal rate and uses the smaller of the two.

- Greater: If you select this option, ARGUS compares the Last/Contract Rate and Market Leasing Assumptions weighted renewal rate and uses the larger of the two.

- Last/Contract: If you select this option, ARGUS uses the Last/Contract Rate.

Market Rent
The Market Rent section allows you to select the weighted renewal rent rate from a Market Leasing Assumptions category for the renewal rent.

- Use Percent of: Enter the percentage of the selected market renewal rent you wish to use.

- Market Leasing Assumptions: If you select this option, ARGUS uses the weighted renewal market rent from the associated Market Leasing Assumptions as the basis for the market renewal rate.

- Specific Market: This option allows you to enter a specific market rent rate or to create a Market Rent category to use as the basis for the market renewal figure. For more information on Market Rent categories, see Chapter 16, Market Leasing Assumptions.

Note: Intelligent Renewal categories can affect items other than base rent in a report. Items including CPI, miscellaneous rent, abatements, expenses and retail sales may be affected.
Renewal Probability

This field is used to override the entry in the Market Leasing Assumptions Renewal Probability field for the first lease expiration. It provides you with tenant-by-tenant control of the first rollover without creating a large number of Market Leasing Assumption categories.

It is available when you select Market in the Upon Expiration field. If you selected any other option in the Upon Expiration field, this field will be disabled.

If you leave this field blank, ARGUS will use the renewal probability in the associated Market Leasing Assumptions. This field also overrides Portfolio Scenario entries used in portfolio consolidation.

More/Notes

The More/Notes field allows you to enter a floor, an SIC code, and notes for the tenants. In addition, you can use this option to assign tenants to global Tenant and Industry Groups by selecting them from the corresponding drop-down list. See Chapter 30, Global Categories for information on Tenant and Industry Groups.

The floor and SIC code may be up to 12 characters long. These fields can be used as tenant selection criteria in portfolio properties and as sort criteria in all properties. The Notes section can contain up to 350 characters. A carriage return counts as one character.

Notes print on the Rent Roll Input Assumptions. You can also print them on the Presentation Rent Roll.
Assigning a Tenant to a Tenant Group

To assign the current tenant to an existing Tenant Group, choose the Tenant Group button. When the Tenant Group window appears, choose Yes in the Include field for the group to which you wish to assign the tenant.

Choose OK to return to the Rent Roll Notes window. The current tenant will now be included in the specified Tenant Group.
CHAPTER 8

Rent Changes

The Rent Changes windows allow you to specify changes to a tenant's rent. These changes in rent will be reported on individual lines on the Tenant Cash Flow reports.

You can access the Rent Changes windows from the Rent Changes fields on the Rent Roll, Market Leasing Assumptions, and Space Absorption windows. To enter rent changes, choose Detail while the Rent Changes field on any of these windows is active. Select No to remove rent changes. Selecting No deletes the rent change detail.

Rent Changes from the Rent Roll or Space Absorption Windows

When you access the Rent Changes window from the Rent Roll or Space Absorption window, the Rent Changes window includes the following sections:

Rent Changes from the Market Leasing Assumptions Window

When you access the Rent Changes window from the Market Leasing Assumptions, the Rent Changes windows includes the following sections:

Use the Rent Changes field on the Market Leasing Assumption window when a property goes to market. Entries on the Changing Base Rent window will override the figure in the New Market field in the Market Leasing Assumption. This occurs even if there is a detailed entry in this field. Rent changes entered from the Rent Roll and Space Absorption windows do not continue in future terms.
**Changing Base Rent and Step Rent**

The Changing Base Rent and Step Rent windows allow you to enter base rent that increases over time. These increases will be included in several ARGUS reports. The **Changing Base Rent** field is only available from the Market Leasing Assumption window. The **Step Rent** field is available from the **Rent Changes** field on the Rent Roll, the Space Absorption, and the Market Leasing Assumptions windows.

Except for the title, the Changing Base Rent and Step Rent Adjustments windows are identical. To access these windows, choose **Detail** while either the **Step Rent** field or the **Changing Base Rent** field on the Rent Changes window is active. A description of Step Rent and Changing Base Rent categories appears later in this chapter.

**Porters’ Wage**

Porters’ Wage categories allow you to pass an increase in a wage index through to a tenant. To reference a Porters’ Wage category, select one from the drop-down list in the **Porters’ Wage** field. To create or edit a category, choose **Detail** while the field is active. A description of Porters’ Wage categories appears later in this chapter.

**Miscellaneous Rent**

Miscellaneous Rent categories allow you to enter an amount of additional rent to be paid by a tenant. The amount can be a percentage of other rent items. This rent can have a minimum amount and a maximum amount that can inflate over time.

To reference an existing Miscellaneous Rent category, select one from the drop-down list in the **Miscellaneous** field on the Rent Changes window. To create a category, choose **Detail** while the field is active. Note that you can also access the Miscellaneous Rent category window by selecting **Miscellaneous Rent** from the **Categories** menu. A complete description of how to create Miscellaneous Rent categories appears later in this chapter.

**CPI Rent: Category**

CPI Rent categories allow you to pass an increase in the consumer price index through to a tenant. CPI rent increases will not continue in future terms unless entered on the Market Leasing Assumption window. To reference an existing CPI category, select one from the drop-down menu in the **CPI Rent** field on the Rent Changes window. To create a category, choose **Detail** while the field is active.

**CPI Rent: Current Amount**

If a lease began before the analysis start date, the tenant may be paying CPI rent as of the start of the analysis. Enter the current CPI amount paid by the tenant in the month before the analysis start date. This field is not available on the Rent Changes window accessed from Market Leasing Assumptions. It is used for Rent Roll and Space Absorption tenants and ignored for option tenants.

Enter the amount as total currency per month or per year. If the tenant is not paying CPI rent as of the analysis start date, leave this field blank. If a tenant has a CPI increase in the first month of the analysis, ARGUS will calculate the amount. You only need to enter increases occurring before the analysis start date.
Calculation of CPI

CPI is calculated based on the sum of the previous period's base rental revenue, step rent, and CPI rent. This sum is multiplied by the CPI rate during this period and is paid in equal monthly installments in the current period. Enter CPI adjustments occurring before the analysis start date in the Current Amount field.

Rent abatements affect the calculation of CPI rent. Any month that base rent is abated will have the same percentage of CPI rent abated. If 75% of base rent is abated, then 75% of CPI due that month is abated also.

Parking: Spaces

These fields are only available on the Rent Changes window accessed from the Rent Roll window and the Space Absorption window. You can use them to enter tenant specific parking information. Enter the total number of parking spaces that have been assigned to the tenant in the Spaces field. These spaces are a portion of (not an addition to) the number of parking spaces entered on the Parking Revenue window.

Parking: Amount

In the Amount field, enter the rate paid, in currency per space per month, for each parking space.

Note: If there are no entries on the Parking Revenue window, ARGUS will not calculate any parking revenue for the tenants.

Changing Base Rent and Step Rent

You can use step rent with changing base rent, detailed base rent, or individually. Step rent changes will not continue in future terms unless you enter them on the Rent Changes window accessed from the Market Leasing Assumption window.

The chart below describes the method to use in different situations.

<table>
<thead>
<tr>
<th>Method</th>
<th>When to use?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detailed Base Rent (Rent Roll: Base Rent)</td>
<td>When you want the base rent to change during the term and only want the rent rate visible in the Cash Flow and Individual Tenant reports.</td>
</tr>
<tr>
<td>Step Rent (Rent Roll: Rent Changes)</td>
<td>When you want to leave the base rent static and have the step rent on a separate line in the Cash Flow and Individual Tenant reports.</td>
</tr>
<tr>
<td>Changing Base Rent (Market Leasing Assumptions: Rent Changes)</td>
<td>When you want detailed base rent changes to occur after the tenant lease expires and goes to market using the rent rates in the Market Leasing Assumptions.</td>
</tr>
</tbody>
</table>
To create a Step Rent or Changing Base Rent category, choose New on the Step Rent or Changing Base Rent category window.

**Category**
Enter a unique name for the category. If you leave this field blank, ARGUS will assign a name.

**Date**
Enter the date that the rent amount is to take effect (MM/YY), or enter the number of months from the lease start date until the rent is to take effect.

**Amount and Unit**
The *Amount* field is where you enter the changing base rent or step rent for a property. You may use the abbreviations K for thousands and M for millions in this field. The selection in the *Unit* field determines how ARGUS interprets the entry in the *Amount* field.

If you enter a date and amount, but leave the *Unit* field blank, it will default to *Currency per Unit per Year*. You may choose from the following options:

- **Currency per Unit per Year**: If you select this option, ARGUS multiplies the entry in the *Amount* field by the unit per year.
- **Currency per Unit per Month**: If you select this option, ARGUS multiplies the entry in the *Amount* field by the unit per month.
- **Currency Amount per Year**: If you select this option, ARGUS interprets the entry in the *Amount* field as an annual rent amount.
- **Currency Amount per Month**: If you select this option, ARGUS interprets the entry in the *Amount* field as a monthly rent amount.
- **Percent Increase (% Increase)**: If you select this option, ARGUS interprets the entry in the *Amount* field as a percentage. If you leave the *Amount* field blank, ARGUS will use the CPI inflation rate. The rent entered in the previous line in the Changing Base or Step Rent window will be increased by this percentage at the designated date.
You should only use this option after entering a rent amount on a previous line. If you use it at the beginning of a Changing Base or Step Rent window, there will be no changing or step rent. The following formula is used to calculate a percent increase:

\[
\text{(Percentage Increase)} \times \text{(Previous Rent)} = \text{(Increase)} \\
\text{(Increase)} + \text{(Previous Rent)} = \text{Rent Generated}
\]

- **Percent Increase Annually (% Inc, Annual):** If you select this option, ARGUS interprets the entry in the Amount field as a percentage. The rent entered in the previous line in the detail window will increase by this percentage each year. You should only use this unit after entering an amount on a previous line. If you use it in the first line on the window, the tenant will have no changing or step rent. If you select this unit and leave the Amount field blank, ARGUS will use the CPI inflation rate or general inflation rate for the percentage.

- **Percent of Market (% Market):** If you select this option, for initial leases only, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the Market Leasing Assumptions. For step rents or changing base rents, ARGUS uses the weighted average of the new market and renewal market rent in the Market Leasing Assumptions, along with the renewal probability.

For option leases, ARGUS interprets the entry in the Amount field as a percentage of the renewal market rent in the Market Leasing Assumptions.

- **Percent of Market Annually (% Mkt, Annual):** If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the Market Leasing Assumptions. The rent will change each year by the percentage. To use 100% of the market rate, either leave the Amount field blank, or enter 100.

- **Market Review:** If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the associated Market Leasing Assumptions. ARGUS will reset the tenant’s rent to the market rent (or the percentage of the market rent entered in the Amount field) specified in the Market Leasing Assumptions and recalculate the base year stop if the tenant has one. To use 100% of market rent, leave the Amount field blank, or enter 100.

- **Market Review Up:** If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the associated Market Leasing Assumptions. ARGUS compares the tenant’s rent to the market rent (or the percentage of the market rent entered in the Amount field). If the tenant’s rent is lower, ARGUS will raise it to the market rent, or the specified percentage of market rent. If the tenant has a base year stop, it will be recalculated regardless of whether the tenant’s rent is higher or lower than the market rent. To use 100% of market rent, leave the Amount field blank, or enter 100.

- **Market Review Down:** If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the associated Market Leasing Assumptions. ARGUS compares the tenant’s rent to the market rent (or the percentage of the market rent entered in the Amount field). If the tenant’s rent is higher, ARGUS will lower it to the market rent, or the specified percentage of market rent. If the tenant has a base year stop, it will be recalculated regardless of whether the tenant’s rent is higher or lower than the market rent. To use 100% of the market rent, leave the Amount field blank, or enter 100.

**Note:** The Market Review, Market Review Up, and Market Review Down options are only available in the international version of ARGUS. For more information about the international version of ARGUS, contact your ARGUS sales representative.
Porters’ Wage

To create a Porters’ Wage category, choose Detail while the Porters’ Wage field on the Rent Changes window is active, and then choose New on the Porters’ Wage category window.

**Category**

Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: PW1, PW2, PW3, etc.

**Index**

Each Porters’ Wage category must reference an index on which to base the calculations. To reference an index category select one from the drop-down list in the Index field. See the next section in this chapter for information on Porters’ Wage Index categories.

**Pennies per Penny**

Enter the amount of the porters’ wage increase that is to be paid by the tenant. An entry of 1.00 will pass through 100% of the increase. An entry of .50 will pass through 50% of the increase. An entry of 2.00 will pass through 200% of the increase through to the tenant.

**Over Base of**

This field determines the base level of the porters' wage. The tenant will not be responsible for any of the porters' wage until it rises above this level. If you leave this field blank, ARGUS will use the lease start date as the base year. Enter the base level using one of the following methods:

- **Currency per measurement unit per hour:** Enter the tenant's base as a currency per measurement unit (e.g., foot) per hour amount. When the porters' wage is higher than this amount, the tenant will pay porters' wage. This amount cannot exceed $70 per hour.

- **Year of Index:** Enter the tenant's base as the year of the index in which the base was established. ARGUS will use that year's amount to calculate the tenant's base. If the date entered is before the first date in the index, ARGUS uses the first year of the index as the base year. If the date is after the end of the analysis, the tenant will not have porters’ wage.

**Example**

Tenants assigned this category will pay 1.1 pennies for every penny the index increases. The lease start date will determine the base year as the Over Base of field was left blank.
Porters' Wage Index Categories

To create a Porters' Wage Index category, choose **Detail** while the **Index** field is active, and then choose **New** on the Index category window.

### Category Name

Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: PWI 1, PWI 2, PWI 3, etc.

### Year of Index

Because the first year of the index determines the first year that data will be accepted, the index year cannot be after the analysis start date. Your entry should represent the earliest date used to determine porters' wage for tenants using this category. Enter the year using all four digits (e.g., 2001); two digit dates are not allowed. The column headers in the lower part of the window will change to reflect your entry.

### Wage

Using a currency per hour format, enter the average porters' wage for each year. Total currency amounts are not allowed. All currency amounts are displayed as current amounts.

### Inflation

Enter an inflation rate in the **Inflation** field for the year in which it is to be applied. The general inflation rate will be used for any years in which you do not enter inflation. Note that the first year of the index does not allow you to enter an inflation value.

ARGUS always calculates and inflates porters' wage on a calendar basis. If you leave the **Inflation** fields blank, ARGUS uses the general inflation rate. If the analysis is using fiscal inflation, ARGUS determines the calendar inflation by weighting the inflation of the two fiscal years that overlap the calendar year. If the index begins before the analysis, ARGUS uses the inflation from the first year of the analysis to inflate all values before the analysis.

### Example

This example shows a $23.00 wage for the year 2000. In 2001, the index will increase to $23.50; in 2003, it will increase to $24. In 2001, the index begins to inflate at the general inflation rate because the **Inflation** fields were left blank.
Miscellaneous Rent

The Miscellaneous Rent window allows you to enter an amount of additional rent to be paid by the tenant. The amount can be a percentage of other rent items. You can enter a minimum and maximum amount of rent, and specify an inflation rate.

To create a Miscellaneous Rent category, choose Detail while the Miscellaneous field on the Rent Changes window is active, and then choose New on the Miscellaneous Rent category window.

**Category**

Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: MISC 1, MISC 2, MISC 3, etc.

**Overall Percent**

Enter the percentage of the tenant's other rent items that are to become miscellaneous revenue. If you leave this field blank, ARGUS assumes the percentage is zero. The percentage will be used for every included item (check box marked with an x) that does not have a value entered in the corresponding Percent field. If all items to be included in the calculation use the same percentage, enter the percentage in the Overall Percent field and leave the other Percent fields blank.

**Include**

These check boxes determine the rent items that will be included in the calculation. The default is to include all tenant items. To change a selection, select the check box next to the item. The Include column lists all tenant rent items except parking. Miscellaneous rent can be based on any combination of these items. Because rent abatements are negative amounts, the Base Rent Abatement field is surrounded by parentheses. Including this item for a tenant with rent abatements will decrease the amount of miscellaneous rent collected.
**Percent**
These fields determine the percentage of the corresponding rent items used to determine miscellaneous rent. If you did not select the **Include** check box for an item, the **Percent** field will be unavailable for that item.

**Range**
Choose the **Range** button to access the Miscellaneous Rent - Range window. This window allows you to enter a monthly minimum and maximum miscellaneous rent amount. After entering data in the **Monthly Minimum** and **Monthly Maximum** fields, the **Inflation** rate fields become active. Enter the inflation rate for the minimum and maximum amounts or leave blank to use the general inflation rate.

**Start Date**
Enter the month and year (MM/YY) in which the tenant begins paying miscellaneous rent or enter the number of months from the beginning of the lease until the tenant begins paying miscellaneous rent. If you leave this field blank, miscellaneous rent will be applied at the start of the lease.

**End Date**
Enter the month and year (MM/YY) in which the tenant will stop paying miscellaneous rent or enter the number of months the rent will apply. If you leave this field blank, miscellaneous rent will be applied to the tenant’s rent until the end of the lease.

**Monthly Minimum**
This field determines the minimum amount of miscellaneous rent the tenant will pay each month. If you leave this field blank, there will be no minimum amount. You can enter the amount as a measurement unit per month value if it is less than or equal to 25. ARGUS interprets amounts greater than 25 as total monthly currency amounts.

**Monthly Maximum**
This field determines the maximum amount of miscellaneous rent the tenant will pay each month. If you leave this field blank, there will be no maximum amount. You can enter the amount as a measurement unit per month value if it is less than or equal to 25. ARGUS interprets amounts greater than 25 as total monthly currency amounts.

**Inflation**
These fields allow you to enter the percentage by which the monthly minimum and maximum are to be inflated. If you leave one of these fields blank, ARGUS will use the general inflation rate for the corresponding **Minimum** or **Maximum** field.
CPI Rent

The CPI Rent window allows you to pass an increase in the consumer price index through to a tenant. CPI rent increases will not continue in future terms unless entered on the Market Leasing Assumption window. To create a CPI Rent category, choose Detail while the CPI Rent Category field on the Rent Changes window is active, and then choose New on the CPI Rent category window.

Category Name

Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: CPI 1, CPI 2, CPI 3, etc.

CPI Method

Select one of the following methods for calculating CPI:

- **Lease Year**: Select this option to apply CPI increases once a year, on the lease anniversary date. The increase will be based upon the amount of base rent, step rent, and CPI rent the tenant paid in the year preceding the increase.

- **Calendar Year**: Select this option to apply CPI increases in January on a calendar basis.

- **Mid-Term**: Select this option to determine CPI increases during the first half of the tenant’s lease and apply this increase to the tenant’s rent in the second half of the lease. The increase will be based upon the amount of base rent and step rent the tenant paid in the first half of the lease. The mid-point of a lease with a length that is an odd number of months will be rounded down (i.e., closer to the beginning of the lease).
• **Time Based:** Select this option to enter the number of months until CPI increases are to begin and the number of months that must pass before the next increase is to take effect. When you exit the field, two additional fields in which you can enter this information will be displayed near the bottom of the window.

```
Begin After [months]
Repeat Every [months]
```

• **Increase Based:** Select this option to specify the percentage by which CPI has to increase before the CPI rent begins, the percentage at which subsequent increases will be applied, and the minimum number of months between increases. When you exit the field, three additional fields in which you can enter this information will be displayed near the bottom of the window.

```
Begin Upon Reaching [percent]
Apply Every [percent increase]
Minimum Time between Increases [months]
```

**Inflation Rate**
Enter an inflation percentage rate if you want to use an inflation rate other than the general inflation rate. Leave the **Inflation Rate** field blank to use the general inflation rate for CPI rent adjustments. Note that this field is not available when you select the **Use CPI Index** check box on the Switches tab on the Input Switches window.

**Note:** The figure of 0.5 percent must be entered as .005

**Percent Paid**
Enter the percentage of CPI that is payable by the tenant. Leave this field blank to use 100% of the CPI increase.

**Minimum Increase**
Enter the stated minimum increase, or “floor” for the CPI increase and select the frequency. ARGUS calculates the percent paid before calculating the minimum increase.

**Maximum Increase**
Enter the stated maximum increase, or “cap” for the CPI increase and select the frequency. ARGUS calculates the percent paid before calculating the maximum increase.
Rent Abatement categories allow you to enter multiple periods in the lease to be abated, each with a different percentage.

**Note:** You can also create Market Rent Abatement categories, which allow you to specify abatements that vary over the years of the analysis. In order to use Market Rent Abatement categories, you must select the option on the Input Switches window. For more information, see Chapter 29, Input Switches.

### Rent Abatement Categories
To enter rent abatement detail, choose **Detail** while the **Rent Abatement** field is active, and then choose **New** on the Rent Abatements category window.

**Category**
Enter a unique category name. If you leave this field blank, ARGUS will create a name using the following conventions: FREE 1, FREE 2, FREE 3, etc.
Based On
This field allows you to create categories that are based upon other categories. If you wish to
base the current category upon another category, you may choose it in this field.

Before you can base one category upon another, you must create the category on which the
others will be based. Create this category as explained below. Once you have created the
category, you can create another category (or many other categories) based upon that category.

Note: You may base categories on other file-specific categories or on global categories that will
be available in all your ARGUS files. For more information on global categories, see
Chapter 30, Global Categories.

If you choose to base this category upon another category, the Date field will be unavailable. In the Percent and Months fields, you should enter the percentage and number of months by
which you wish to adjust the original category.

Choose the Show Results button to display the results of your adjustments; choose Hide
Results to hide the results.

Rent Abatement Modifiers
The Rent Abatement Modifier category determines which items are abated, as well as the
abatement amount for each included item. You can select a category from the drop-down list or
create a new category. The Standard modifier category, which is preset by ARGUS, abates base
rent and CPI adjustments only. You can create additional categories for situations in which
items other than base rent and CPI are abated, or when different tenant items are abated at
differing rates. See the next section in this chapter for information on creating Rent Abatement
Modifier categories.
Date
You must enter abatement periods in chronological order. You cannot mix fixed and relative
dates. Enter the month and year in which the free rent begins (MM/YY) or enter the number of
months from the lease start date until the free rent begins. For example, if you enter 13 as the
date, the free rent starts at the beginning of the 13th month.

Note: Detailed Rent Abatement categories with relative dates can be used for many tenants and
Market Leasing Assumptions categories. Detailed Rent Abatement categories with fixed dates
will be limited to the actual date listed, which may only apply to one tenant.

Percent
Enter the percentage of rent to abate. You can enter this percentage as a number greater than or
less than one (5 or .05 = 5%).

Example
A tenant paying $1,000 per month in base rent with a rent abatement percentage of 250 would
have a rental abatement of $2,500 in the specified months.

Months
Enter the number of months the abatement is to continue. You must enter a relative date; fixed
dates are not allowed. You may enter fractional months if necessary. If you leave this field
blank, ARGUS will enter a default of 1.

Example
If you enter 2.5 months, the first 2 months after the date you enter will be abated by the
percentage in the Percent field. ARGUS will multiply the 3rd month’s abatement by (.5) to
determine the final abatement amount.

Rent Abatement Modifier Categories
To create Rent Abatement Modifier categories, choose Detail while the Modifier field on the
Rent Abatements window is active, and then choose New on the Abatement Modifier category
window.
Category
Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: Modifier 1, Modifier 2, Modifier 3, etc.

Include
Select the check boxes corresponding with each item to be abated. Once you select the check box for an item, the Modifier field for that item becomes available.

Modifier
Enter the percentage by which the abatement percentage entry is to be modified. If you leave this field blank, ARGUS uses 100% for the modifier.
You can use the Retail Sales Rent Changes window to specify that a tenant's rent be based upon a percentage of sales. You can access this window from the Retail Sales fields on the Rent Roll or Market Leasing Assumptions window by choosing Detail while the field is active.

Retail sales rent changes entered on the Rent Roll will continue in future terms unless you also enter retail sales rent changes in the Market Leasing Assumption category. Upon rollover, the tenant's breakpoint becomes a natural breakpoint unless a detailed sales category is used on the Rent Roll.

If you use a breakpoint in a Retail Sales category, an entry in the Market Leasing Assumptions overrides all entries on the Retail Sales Rent Changes window accessed from the Rent Roll. Retail sales is the only rent change that continues in this manner.

Upon renewal, retail sales rents will continue at the same rate. To stop retail sales upon renewal, enter a 0 in the Volume field on the Retail Sales Rent Changes window in the Market Leasing Assumption category.
Volume

Enter the sales volume using one of the methods below. This amount will increase by the retail sales volume inflation or the general inflation rate unless you override it by entering a different growth rate in an associated Retail Sales category. If the analysis uses an initial stub year, enter all sales as a full year amount.

Currency per Measurement Unit per Year

If you enter an amount that is less than or equal to 2,000, ARGUS will interpret it as a currency per measurement unit per year amount (e.g., dollars per square foot per year).

Currency Per Year

If you enter an amount that is greater than 2,000, ARGUS will interpret it as total currency amount for the year.

Detailed Retail Sales Categories

You can use Retail Sales categories to describe retail sales, breakpoints, and overage percentages in greater detail than is possible on the Retail Sales Rent Changes window accessed from the Rent Roll. To access detailed Retail Sales categories, choose Detail while the Volume or Secondary Sales fields are active.

See Detailed Retail Sales Categories in this chapter for more information.

Example

The first year of the analysis begins in October of 2001 and ends in December of 2001. Tenant A has sales of $25,000 per month. The amount entered in the Volume field should be $300,000 for the full year, not $75,000 for the months remaining in the year.

Percent

Enter the overage percentage as a number (5 or .05). If you need to enter changing percentages or changing breakpoints, you must reference a Percent/Breakpoint category from with a detailed Retail Sales category.

See Detailed Retail Sales Categories in this chapter for more information.

Breakpoint

The amount of sales greater than the breakpoint you enter will be multiplied by the overage percentage to determine the amount of retail sales percent revenue.

Upon rollover, the tenant's breakpoint will become a natural breakpoint unless there is an entry in the Breakpoint field on the Market Leasing Assumptions Rent Changes window, or unless you use a detailed Retail Sales category.

Enter the breakpoint as a currency per measurement unit per year amount.

\[(\text{Breakpoint Entered}) \times (\text{Square Feet Occupied by Tenant}) = \text{Breakpoint}\]

If you need to enter multiple breakpoints for a lease, use a detailed Retail Percentage/Breakpoint category in a detailed Retail Sales category. See Detailed Retail Sales Categories in this chapter for more information.

If you leave this field blank, a natural breakpoint will be used. Adjustments to the natural breakpoint will occur if base rent, step rent, or CPI rent changes. To exclude step rent and CPI rent from the calculation, use a detailed Retail Sales category and make sure that the Natural Breakpoint Includes: Step Rent and CPI Rent check boxes are not selected.
**Natural Breakpoint**

A natural breakpoint is derived by dividing the overage percentage into the total of the base rent, step rent, and CPI rental increases. Rent abatements using the rent abatement modifier may affect step rent or CPI.

Rent Rate per Year = Base of Detailed Rent and possibly Step Rent and/or CPI Rent

Overage Percentage = Percentage field in Retail Sales windows

Rent Rate per Year / Overage Percentage = Natural Breakpoint

See *Detailed Retail Sales Categories* in this chapter for more information.

**Secondary Sales**

If necessary, you can select a secondary Retail Sales category from the drop-down list in this field. You may also access the Retail Sales category window by choosing *Detail* while this field is active.

See the *Detailed Retail Sales Categories* section in this chapter for more information.

**Use**

If you selected a secondary Retail Sales category, the drop-down list in the *Use* field allows you to specify whether you wish to use the sum of the Retail Sales categories, or only the greater of the two.

**Calculation**

Overage or retail sales rent is calculated by subtracting the current breakpoint from the current sales volume and then multiplying the remaining sales by the overage percentage.

**Example**

This example shows retail sales as dollars and breakpoints as dollars/square foot/year.

<table>
<thead>
<tr>
<th>Retail Sales Volume</th>
<th>Breakpoint</th>
<th>Sales Minus Breakpoint</th>
<th>Overage Percent</th>
<th>Retail Sales Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>50</td>
<td>50</td>
<td>.10</td>
<td>5%</td>
</tr>
<tr>
<td>100</td>
<td>100</td>
<td>0</td>
<td>.10</td>
<td>0%</td>
</tr>
<tr>
<td>100</td>
<td>0</td>
<td>100</td>
<td>.10</td>
<td>10%</td>
</tr>
<tr>
<td>100</td>
<td>0</td>
<td>100</td>
<td>.02</td>
<td>2%</td>
</tr>
</tbody>
</table>

The formula is:

\[(\text{Retail Sales} - \text{Breakpoint}) \times \text{Overage Percent} = \text{Retail Sales Rent}\]

For the first line in the example: \((100 - 50) \times .1 = 5\)
Detailed Retail Sales Categories

Retail Sales categories allow you to enter sales volumes and inflation that change over time. They also allow for overage percents and breakpoints that change over time and when volume levels are reached. To create Retail Sales categories, choose Detail while the Volume or Secondary Sales fields are active, and then choose New on the Retail Sales category window.

You can use Retail Sales Rent Change categories to define the following assumptions:

- Specific sales volume
- Overage percents
- Changing breakpoints
- Exclusion of step rent or CPI rent in the calculation of a natural breakpoint

If a retail tenant's sales will continue to grow at the retail sales volume or general inflation rate through all renewals, the overage percentage will remain constant, and the breakpoint will remain either natural or at a specified level throughout the first lease term, you do not need to use a Retail Sales category.

**Note:** Retail sales rent changes are a unique type of rent change. The entries for retail sales rent changes will continue into future terms.

**Category**

Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following convention: Retail 1, Retail 2, Retail 3, etc.

**Volume**

Enter the sales volume using one of the following methods:

**Currency per Measurement Unit per Year**

ARGUS interprets amounts less than or equal to 2,000, as currency per measurement per year amounts. This amount will increase by the retail sales volume rate or general inflation rate unless you override it by entering a different rate in an associated Retail Sales Volume category. If the analysis uses an initial stub year, all sales should be entered as a full year amount.

**Currency Amount per Year**

ARGUS interprets amounts greater than 2,000 as total currency per year amounts.
**Detailed Retail Sales Volume Categories**

You can use Retail Sales Volume categories to enter sales volume and inflation that change over time. To create detailed Sales Volume categories, choose Detail while the Volume field is active, and then choose New on the Retail Sales Volume category window.

**Warning:** Always enter data on this window with the Amount radio button selected. Do NOT use the Percentage radio button to enter data in the spreadsheet. ARGUS will have no amount to base percentages on and will erase your entries when you exit.

**Category**

Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following convention: Volume 1, Volume 2, Volume 3, etc.

**Volume**

Enter the sales volume using either of the following methods:

- **Monthly Input:** Enter the amount of retail sales for each month in the corresponding month cell. This is useful for tracking cyclical retail sales because you can show the months in which the majority of sales take place. A blank cell indicates zero retail sales for that month.

**Example**

For a business with most of its sales during the holiday season, entering data on a monthly basis gives a more accurate picture of the cash flow, than if it were entered as yearly and divided evenly throughout the year. The example below shows a monthly accounting of the retail sales and its associated monthly Cash Flow report. The tenant pays 10% of its sales to the landlord.

<table>
<thead>
<tr>
<th>Monthly</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>September</td>
<td>5000</td>
<td>5000</td>
<td>5000</td>
<td>5000</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>October</td>
<td>10000</td>
<td>10000</td>
<td>10000</td>
<td>10000</td>
<td>10000</td>
<td>10000</td>
</tr>
<tr>
<td>November</td>
<td>40000</td>
<td>40000</td>
<td>40000</td>
<td>40000</td>
<td>50000</td>
<td>50000</td>
</tr>
<tr>
<td>December</td>
<td>75000</td>
<td>75000</td>
<td>75000</td>
<td>80000</td>
<td>80000</td>
<td>80000</td>
</tr>
<tr>
<td>January</td>
<td>25000</td>
<td>25000</td>
<td>25000</td>
<td>25000</td>
<td>25000</td>
<td>25000</td>
</tr>
<tr>
<td>February</td>
<td>10000</td>
<td>10000</td>
<td>10000</td>
<td>10000</td>
<td>10000</td>
<td>10000</td>
</tr>
<tr>
<td>March</td>
<td>6000</td>
<td>6000</td>
<td>6000</td>
<td>6000</td>
<td>6000</td>
<td>6000</td>
</tr>
<tr>
<td>April</td>
<td>6000</td>
<td>6000</td>
<td>6000</td>
<td>5000</td>
<td>6000</td>
<td>5000</td>
</tr>
<tr>
<td>May</td>
<td>5000</td>
<td>5000</td>
<td>5000</td>
<td>5000</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>June</td>
<td>4000</td>
<td>4000</td>
<td>4000</td>
<td>4000</td>
<td>4000</td>
<td>4000</td>
</tr>
<tr>
<td>July</td>
<td>4000</td>
<td>4000</td>
<td>4000</td>
<td>4000</td>
<td>4000</td>
<td>4000</td>
</tr>
<tr>
<td>August</td>
<td>4000</td>
<td>4000</td>
<td>4000</td>
<td>4000</td>
<td>4000</td>
<td>4000</td>
</tr>
<tr>
<td>Annual Total</td>
<td>200000</td>
<td>200000</td>
<td>200000</td>
<td>200000</td>
<td>200000</td>
<td>200000</td>
</tr>
</tbody>
</table>

**Potential Gross Revenue**

- Base Rental Revenue
- Retail Sales Percent Revenue 500 1,000 4,600 7,500 2,500
**Yearly Input:** Enter the total yearly amount in one of the months of that year, or enter the yearly total in the Annual Total cell in the desired year. ARGUS interprets amounts greater than 2,000 as total currency per year amounts. If you enter the amount in a single month, it will appear in monthly reports as being incurred during that month. If you enter the amount in the Annual Total cell, it will be distributed throughout the entire year.

**Example**
The example below shows detail using yearly entry of retail sales and an associated monthly Cash Flow report for the same property. Notice the different revenues in the reports.

<table>
<thead>
<tr>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>September</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,708.33</td>
</tr>
<tr>
<td>October</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,708.33</td>
</tr>
<tr>
<td>November</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,708.33</td>
</tr>
<tr>
<td>December</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,708.34</td>
</tr>
<tr>
<td>January</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,708.33</td>
</tr>
<tr>
<td>February</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,708.33</td>
</tr>
<tr>
<td>March</td>
<td>1,666.66</td>
<td>1,666.66</td>
<td>1,666.66</td>
<td>1,708.34</td>
</tr>
<tr>
<td>April</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,708.33</td>
</tr>
<tr>
<td>May</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,708.33</td>
</tr>
<tr>
<td>June</td>
<td>1,666.66</td>
<td>1,666.66</td>
<td>1,666.66</td>
<td>1,708.34</td>
</tr>
<tr>
<td>July</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,666.67</td>
<td>1,708.33</td>
</tr>
<tr>
<td>August</td>
<td>1,666.66</td>
<td>1,666.66</td>
<td>1,666.66</td>
<td>1,708.34</td>
</tr>
<tr>
<td>Annual Total</td>
<td>20,000.00</td>
<td>20,000.00</td>
<td>20,000.00</td>
<td>20,000.00</td>
</tr>
</tbody>
</table>

### Inflation

If you leave the Inflation fields blank, ARGUS will inflate the volume by the retail sales volume rate or the general inflation rate. To override the inflation for a tenant, enter an inflation rate as a number (5 or .05). For zero inflation, enter a 0 in the desired year.

**Example**
This category has a volume of $64.00 per square foot per year, and will inflate by 5% each year.

<table>
<thead>
<tr>
<th>Month</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
</tr>
<tr>
<td>July</td>
<td>5.34</td>
<td>5.34</td>
<td>5.34</td>
<td>5.34</td>
<td>5.34</td>
<td>5.34</td>
</tr>
<tr>
<td>August</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
</tr>
<tr>
<td>September</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
</tr>
<tr>
<td>October</td>
<td>5.34</td>
<td>5.34</td>
<td>5.34</td>
<td>5.34</td>
<td>5.34</td>
<td>5.34</td>
</tr>
<tr>
<td>November</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
<td>5.33</td>
</tr>
<tr>
<td>December</td>
<td>5.34</td>
<td>5.34</td>
<td>5.34</td>
<td>5.34</td>
<td>5.34</td>
<td>5.34</td>
</tr>
<tr>
<td>Annual Total</td>
<td>64</td>
<td>64</td>
<td>64</td>
<td>64</td>
<td>64</td>
<td>64</td>
</tr>
<tr>
<td>Inflation</td>
<td>0.05</td>
<td>0.05</td>
<td>0.05</td>
<td>0.05</td>
<td>0.05</td>
<td>0.05</td>
</tr>
<tr>
<td>Inflated Total</td>
<td>64</td>
<td>67.2</td>
<td>70.96</td>
<td>74.09</td>
<td>77.79</td>
<td>91.86</td>
</tr>
</tbody>
</table>
Percent
Enter the overage percentage as a number (5 or .05). If you need to enter changing percentages or changing breakpoints, you must use a Percent/Breakpoint category. If you leave this field blank, the tenant will not pay any retail sales percentage rent.

Retail Percent/Breakpoint Categories
To create Retail Percent/Breakpoint categories, choose Detail while the Percent field is active, and then choose New on the Retail Percents/Breakpoints category window.

Category
Enter a unique category name. If you leave this field blank, ARGUS assigns a name using the following convention: PCT BRKPT 1, PCT BRKPT 2, PCT BRKPT 3, etc.

Percentage Rent Calculated
Select the retail sales calculation method from the drop-down list in the Percentage Rent Calculated field. You may choose from the following options:

- **Over a natural breakpoint plus rent**: Select this option to use a natural breakpoint.
- **Over a specified breakpoint plus rent**: Select this option to enter a specific breakpoint.
- **Over a zero breakpoint less rent**: Select this option to determine retail sales by subtracting the base rent from the product of the overage percent times the volume. With this option, the tenant’s rent will be a simple percentage rent (over a zero breakpoint) as long as the percentage is above the level of base rent. If the calculated retail sales amount is less than the base rent, the tenant will only pay the base rent. You cannot have negative retail sales.

Percent Overrides
The New Percents override previous option determines what happens with the previous percent when a new percent level is reached. Select the check box to have the percentage change for all sales at each new date/volume.
If the new percents only affect the future increases in sales volume after the date or volume is reached, make sure the check box is not selected.

**Note:** If the new percents do not override previous percents, the change in the percent used may not be immediately apparent as the new percent will only affect the sales volume over the level entered in the **Volume** column.

When new percents do not override previous percents, each volume level acts as a breakpoint for the following volume level.

If you enter volumes of 0, 50, and 100, the percentage to be used for the level of 50 will not be used on any sales volume that does not exceed 50. The breakpoint entered with the volume of 50 will not apply unless it exceeds 50.

**Example**

With the following entries, the 5% overage level entered in the second line will not take effect until the sales volume reaches $50 per square foot. When this sales volume is reached, the $10 per square foot breakpoint is not used because sales do not exceed $50 per square foot.

<table>
<thead>
<tr>
<th>Date</th>
<th>Volume</th>
<th>Percent</th>
<th>Breakpt</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>10</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>5</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>100</td>
<td>2</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>

**Dates & Volumes**

When you use dates and volumes together, the new level of percents and breakpoints will take effect whenever the specified volume is reached, or when the date occurs, whichever is first. Volumes can start at any time and are not limited by the dates entered on the same line.

**Date**

Enter dates as either fixed or relative. Dates are optional in this window. Relative dates on this window are relative to the start of the analysis, not the lease start date. You cannot mix fixed and relative dates. The first date you enter should be on or before the analysis start date. Enter the rest of the dates in chronological order.

**Volume**

Enter volumes as currency per measurement unit per year amounts (e.g., dollars per square foot). Total currency amounts are not allowed. The first volume entered should be 0, unless no retail sales overage revenue is desired until the first volume is reached. Percentages and breakpoints will be used as soon as the volume level is reached. The previous percent will continue to be used on previous volumes.

**Note:** When you use volumes to determine when new percents take effect, it is very important that the first volume you enter is 0. Otherwise, ARGUS will assume 0% (no percentage) revenue on all sales until the first volume is reached.
Chapter 10: Retail Sales Rent Changes

Example
The tenant pays 12%, increasing by 1% a year. Once the tenant reaches $1,000 per square foot in sales, the percentage is 7% on all sales.

<table>
<thead>
<tr>
<th>Date</th>
<th>Volume</th>
<th>Percent</th>
<th>Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/00</td>
<td>12</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>1/01</td>
<td>13</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>1/02</td>
<td>14</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>1/03</td>
<td>15</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>1000</td>
<td>7</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

If a volume of $1,000 per square foot was reached on 3/01, ARGUS would disregard the previous dates and percents and use 7 percent.

Percent
Enter the overage percentage to use as of the corresponding date or volume. You cannot leave the first Percent field blank. If you leave one of these fields blank, ARGUS will use the previous percent value. Enter 0 for no percentage.

Breakpoint (Brkpnt)
Enter the breakpoint as a currency per measurement unit amount. If you leave one of these fields blank, ARGUS will use a natural breakpoint.

Note: Entries must be made in the first row. You must enter a volume or a date on each row.

Breakpoint
Enter the specified breakpoint as currency per measurement unit per year amount (e.g., dollars per square foot per year). ARGUS will multiply the amount of sales greater than the breakpoint by the overage percentage to determine the amount of retail sales percent revenue. Upon rollover, the tenant's breakpoint will become a natural breakpoint unless there is an entry in the Breakpoint field on the Market Leasing Assumption Rent Changes window.

(Breakpoint Enterred) x (Square Feet Occupied by Tenant) = Breakpoint

If multiple breakpoints are needed for the lease, use a detailed Retail Percentage/Breakpoint category within the detailed Retail Sales category.

If you leave this field blank, ARGUS will use a natural breakpoint. Adjustments to the natural breakpoint will occur if base rent, step rent or CPI rent changes.

To exclude step rent and CPI rent from the calculation make sure the Natural Breakpoint Includes: Step Rent and CPI Rent section check boxes are not selected.

Natural Breakpoint
A natural breakpoint is derived by dividing the overage percentage into the sum of the base rent, step rent, and CPI rent increases. Rent abatements using the rent abatement modifier may affect step rent used in the calculation, or may cause CPI to be abated.

Rent Rate per Year = Base or Detailed Rent and possibly Step Rent and/or CPI Rent
Overage Percentage = Percentage field in Retail Sales windows
Rent Rate per Year / Overage Percentage = Natural Breakpoint
Example

In this example, the base rent is $20 per square foot, step rent is $2 per square foot, and CPI rent is $1.05 per square foot. The total rent is $23.05 per square foot per year. The average percentage is 6%, which would make the natural breakpoint $384.17 per square foot per year (23.05 divided by .06). If retail sales per square foot per year are greater than this amount, the average percentage will be multiplied by the difference to calculate percentage rent income.

The following table shows some examples of the natural breakpoint calculation. The total rent is calculated by summing base rent, step rent, and CPI rent.

<table>
<thead>
<tr>
<th>Total Rent</th>
<th>Average Percentage</th>
<th>Natural Breakpoint</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>.10</td>
<td>100</td>
</tr>
<tr>
<td>5</td>
<td>.10</td>
<td>50</td>
</tr>
<tr>
<td>10</td>
<td>.02</td>
<td>500</td>
</tr>
<tr>
<td>5</td>
<td>.02</td>
<td>250</td>
</tr>
</tbody>
</table>

Include Step Rent

If the natural breakpoint calculation should include step revenue, select this check box. If step revenue should be excluded from the calculation, make sure this check box is not selected.

Include CPI Rent

If the natural breakpoint calculation should include CPI rent, select this check box. If CPI rent should be excluded from the calculation, make sure this check box is not selected.
CHAPTER 11

Detailed Reimbursement Methods

Detailed Reimbursement Methods allow you to precisely define how each reimbursable operating expense will be reimbursed by tenants. If a tenant does not reimburse all expenses in the same manner, then you must use a Detailed Reimbursement Method. You can use Detailed Reimbursement Methods for office, retail, and industrial tenants; apartment, hotel, general, and unit sales properties do not have this section.

A Detailed Reimbursement Method is not required if the tenant reimburses all reimbursable operating expenses with a base year expense stop, a full pass through of expenses (net), or if the tenant does not pay any expenses. You can select one of the following standard methods from the drop-down list in the Reimbursement field on the Rent Roll window: Base Year Stop, Net Pro Rata, or None. You can also enter a currency per measurement unit amount in this field.

You must enter reimbursable expenses before entering Detailed Reimbursement Methods. The Detailed Reimbursement Method window includes a separate line for each expense entered on the Reimbursable Expenses window. This allows you to control each main expense separately. Sub-line expenses are combined into the main expenses on this window.

Detailed Reimbursement Categories

To access Detailed Reimbursement Methods, select the Detailed Reimbursement Methods option from the Categories menu on the ARGUS initial menu screen. You can also access Detailed Reimbursement Methods from the Rent Roll, Market Leasing Assumptions, and Space Absorption windows; on each of these windows, choose Detail while the Reimbursements field is active.

Choose New on the Detailed Reimbursement Methods category window to create a Detailed Reimbursement Method category.
Left Side of the Detailed Reimbursement Methods Window

Right Side of the Detailed Reimbursement Methods Window

**Category**

Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: REIMB1, REIMB2, REIMB3.

**Base Category on Another Method**

This field allows you to create categories that are based on other categories, which means you can create one category to handle the majority of your expense lines, and base other categories on that category. If you wish to base the current category upon another category (a master category), you may choose it in this field.
Before you can base one category upon another, you must create the category on which the others will be based. This will be the “master” category. Create this category as explained below. Once you have created a master category, you can create another category (or many other categories) based upon that category.

When you select a master category and move the focus to the next location on the screen, the expenses listed in the Reimbursable Expenses column will change to display the reimbursement method selected in the master category. The selections in the Reimbursement Method fields will change to Use Master Method. To override the reimbursement method selected in the master category, simply choose a different method. Note that the Group Total method is not available in categories based upon other categories.

If a category is the master category for another, Not Available will be the only item in the drop-down list in the Base Category on another method field. Choose Detail while this field is active to see a list of categories using the current one as a master category. Detail is only available in this field within master categories.
Reimbursable Expenses

The Reimbursable Expenses column lists the expenses entered on the Reimbursable Expenses window. This column remains fixed while the rest of the columns scroll. Unless you assign expenses to a group, you must select the reimbursement method for each expense individually. At the bottom of the expense list is the Group expense line. This line allows you to group expenses that are reimbursed in a like manner. You cannot edit the reimbursable expenses from this window; you must add and delete expenses on the Reimbursable Expenses window.

Reimbursement Method

The reimbursement method determines how the expense will be reimbursed. The method you select determines which, if any, columns to the right will be available. You may choose from the following methods:

- **Group Total**: If you select this option, the expense will be assigned to the Group expense line, which appears at the bottom of the Reimbursable Expenses column. You must then select the option to be applied to the entire group in the Reimbursement Method field corresponding to the Group expense line. Expenses for which this option is selected will be applied to each expense in the group based on each expense’s percentage of the total.

- **Not Reimbursed (Exclude)**: This option excludes the expense from reimbursement by the tenant. This option is the default if you add an expense to an existing analysis.

**Note**: Expenses will automatically be added as Not Reimbursed (Exclude). If you want to apply a different reimbursement method for the expense, you must select it on this window.

- **Net (Pays Full Pro Rata Share)**: This option specifies that the tenant will reimburse their pro-rata share of the expense.

- **Increases over a Currency Amount**: This option specifies that the tenant will pay expenses over the entry in the Amount field. This is a total currency amount.

- **Increases over a Currency per Measurement Unit Amount**: This option specifies that the tenant will pay expenses over the entry in the Amount field. This is a currency per measurement unit (e.g., dollar per foot) amount. This amount will be converted to a total currency amount by the entry in the Area Measure field.

- **Increases over a Base Year Stop**: This option specifies that the tenant will pay expenses over their base year stop. The base year stop equals the total expenses for the first year of the lease. The tenant is responsible for their share of any increases in the expense. Depending on inflation, timing, and method of input, expenses may or may not be paid in the first year of the lease. The base year stop is determined each time a lease begins, and remains constant for the term of the lease. The base year stop is not subject to inflation.

- **Increases Over Base Year +1 Stop**: This option specifies that the tenant will pay expenses over their base stop for the year following the lease start. The tenant is responsible for their share of any expenses over this amount.

- **Increases Over Base Year -1 Stop**: This option specifies that the tenant will pay expenses over their prior year base stop. The tenant is responsible for their share of any expenses over this amount.
- **Increases Over A Market Stop**: This option specifies that the tenant will pay expenses over the market stop. The market stop, which is similar to the base year stop, is the total of expenses in the first year of the lease. However, unlike base year stop, market stop inflates at the general inflation rate. The tenant’s stop only changes when the tenant begins a lease. During a lease-term, the tenant stop remains constant. The tenant is responsible for any increases in the expense above the stop. The market stop is determined each time a lease begins, and remains constant for the term of the lease.

- **Pays Specific Currency Amount**: This option is used for a tenant who has negotiated a reimbursement amount. Enter the currency amount in the **Reimburse Minimum** field.

- **Current Reimbursement of**: You can use this option if you do not know a tenant’s original stop, but you know the current reimbursement. Enter the amount the tenant is reimbursing in the **Amount** field. ARGUS interprets entries up to and including 100 as a currency per measurement unit (e.g., $/square foot) and entries over 100 as a total currency amount. ARGUS will convert the amount to a building amount and calculate the tenant’s expense stop. This expense stop is used to determine reimbursement amounts in future years.

- **Reimbursement Pools**: The Reimbursement Pool Minor and Major options affect the expense reimbursements of any tenant not assigned a Detailed Reimbursement Method. When you select **Reimbursement Pool Minor/Major**, the expense becomes a Pool expense. Pool expenses are reimbursed only by tenants for whom you have selected a Detailed Reimbursement Method.

Tenants to whom you assign a Detailed Reimbursement Method can reimburse the expense normally, with the exception that Pool Minor tenants reimburse expenses after the reimbursements of Pool Major tenants have been subtracted from the expense. Pool Minor tenants also have the option of reimbursing the remaining expense based upon their pro-rata percentage of the pool. Pool Major tenants reimburse the expense normally. Tenants not assigned a Detailed Reimbursement Method are excluded from reimbursing an expense, as reimbursement of their share would result in reimbursements of more than 100%.

The common use for this method is in a retail mall. Large anchor tenants pay a certain amount (Pool Major) and smaller tenants pay their share (percentage of occupied space of all Pool Minor members) of the remaining expense. Use the **Reimbursement Minimum** and **Maximum** fields to set the anchor’s reimbursement amount. Select **Not Reimbursed** for tenants that are not part of the pool. This results in full reimbursement of the expense.

**Note**: Occupied Pool Minor and Pool Minor Total have different functionality from other occupied area measures and total area measures (e.g., Occupied Office and Total Office). For complex pool situations, use the **Reimburse After** field and Area Measures based on Tenant Groups. The **Reimburse After** field is discussed later in this chapter. See Chapter 14, **Tenant Sort and Tenant Groups**, for detailed information on Tenant Groups.

ARGUS calculates the Occupied Pool Minor for each line by summing the size (e.g., square footage) of current tenants that have been assigned a Detailed Reimbursement Method and that reimburse the expense using Pool Minor. ARGUS calculates the Total Pool Minor by summing the Pool Minor tenants for each expense in all Detailed Reimbursement Methods, and then using the highest value from any month or pool as the total for the entire analysis.

If you select a Pool reimbursement method for a Group expense, then ARGUS calculates the Pool Minor in the same manner, but for Occupied Pool Minor, ARGUS sums the Pool Minor tenants in all pools referenced to the Group line.
Amount

The **Amount** field is used with the following reimbursement methods:

- Increases over Currency Amount
- Increases over Currency per Measurement Unit Amount
- Market Stop
- Current Reimbursement Of
- Reimbursement Pool Minor
- Reimbursement Pool Major

The first three methods are for expense stops. The difference between the first two methods is the unit of measure that you use to enter the amount: total currency or currency per measurement unit (e.g., total dollars or dollars per square foot).

The **Current Reimbursement Of** method determines the tenant’s stop based upon their current level of reimbursement.

**Detailed Amounts**

To enter changing expense stops as total currency amounts or as currency per measurement unit amounts, choose **Detail** while the **Amount** field is active.

**Date**

You may enter a fixed date on which the stop begins (MM/YY), or you may enter the number of months from the lease start date until the stop begins. The change will take effect in the month you specify. You cannot mix fixed and relative dates.

**Amount**

Enter the stop amount corresponding to the date you entered in the **Date** field.

**Pro-Rata Percent**

This field determines the tenant's portion of the reimbursable expense. If you leave this field blank, the word *natural* will be displayed. The natural pro-rata share is the tenant's size (e.g., square footage) divided by the area measure size (e.g., square footage).

If the recovery of this expense item is based on an unnatural pro-rata share of the building, enter the pro-rata percentage as a number. ( 5 or .05 ).

**Area Measure**

Select an Area Measure category from the drop-down list in the field to specify the size used to determine a tenant’s pro-rata share.

You can create and edit Area Measure categories by choosing **Detail** while the **Area Measure** field is active. For more information on Area Measure categories, see Chapter 4, *Property Description Windows*.

If you made an entry in the **Pro-Rata Percent** field, the entry in the **Area Measure** field will only be used to convert stops from currency amounts per measurement unit to total currency amounts and vice versa.
Area Minimum

If the area measure you selected was based upon an occupied area measure, the Area Minimum field will be available. Leave this field blank if there is no minimum. If you use the Area Minimum field, whenever the occupied area measure falls below the minimum level, the entry in this field will be used to determine the pro-rata percentage of the tenants.

ARGUS interprets entries less than or equal to 100 as a percentage of the total area entered in the Area Measure field, and entries greater than 100 as per measurement unit values.

Chargeable Percentage

The entry in this field determines what percentage of the expense will be used to calculate the tenant's reimbursements. It will be applied to the base expense item before any stops, caps, or offsets are used. The chargeable percent will apply as long as the Number of Terms to apply method is in effect.

Example

For a tenant who has agreed to pay 50% of the CAM (common area maintenance) charges for a building, you would enter 50 in the Chargeable Percent field. If the CAM charges for the building are $2.50 per square foot, the tenant will pay 50% of this amount, $1.25 per square foot.

If tenants tied to this category are to pay a greater or lesser percentage of the actual expense, enter the percentage here as a number. (.5 or .05). For chargeable percentages over 100%, the entry must be made as a number greater than 100.

Example

For 115%, enter 115. ARGUS will interpret an entry of 1.15 as 1 and 15 hundredths percent.

Reimburse After

This field is similar to Minor/Major Pools. However, it allows for an unlimited number of combinations of tenants by allowing you to use Tenant Group categories. The selection in this field allows you to specify that the tenants of a property reimburse an expense after tenants in a Tenant Group reimburse their portion of the expense. If you leave the field blank, all tenants will reimburse the expense in relation to the entries in the other expense fields.

To create and edit Tenant Groups, choose Detail while this field is active. See Chapter 14 for more information about Tenant Groups.
Example
A small shopping center has 3 small tenants with 1,000 square feet each and an “anchor” store of 2,000 square feet. The anchor will reimburse a common area maintenance expense based on its pro-rata share of the total square footage of the building. The small tenants will reimburse the remaining expense based on their pro-rata share of the total square footage of the building.

Create a Tenant Group containing the anchor store. Enter a common expense of $1,000. Create a detailed reimbursement for the expense in the Reimbursement After field, choose the Tenant Group containing the anchor tenant.

In the Rent Roll use the new reimbursement category for the small stores and use a net reimbursement for the anchor store. The anchor store will reimburse $400 of the expense. The figure is based on the following equations:

\[
\text{Anchor store percentage of total shopping center square footage} \times \text{Total expense} = \text{Anchor store reimbursement}
\]

\[
40\% \times $1,000 = $400
\]

Each small store will reimburse $120 of the expense. This results from the following equations:

\[
\text{Small store occupancy percentage of total shopping center space} \times \text{Total expense} - \text{Anchor store expense reimbursement} = \text{Small store reimbursement}
\]

\[
20\% \times ($1,000 - $400) = $120
\]

The total amount reimbursed is $400 from the anchor store, $120 from each of the tenants, for a total of $760.

Note: An entry in the Reimburse After field will cause the reimbursements to be calculated twice for the affected tenant: once to calculate the reimbursements, and a second time to subtract the Tenant Group’s reimbursement before calculating the reimbursement of the affected tenant. If another tenant is reimbursed after this tenant, three iterations will be required, etc. ARGUS will automatically determine the number of iterations required. These iterations are independent of the property iterations required for iterative revenue and expense items.

Reimbursement Minimum
This field is where you specify the lowest limit of what the tenant will reimburse. This amount will always be reimbursed, unless limited by an entry in the Reimbursement Maximum field. ARGUS interprets entries less than or equal to 100, as per square measurement per year amounts, and entries greater than 100, as total currency amounts. These amounts will inflate if the Reimbursement Minimum Growth field is not set to 0.

If you leave this field blank and enter an inflation rate in the Reimbursement Minimum Growth field, the reimbursement will increase each year by the expense inflation rate. This calculation is based upon the first non-zero expense year of reimbursement. The reimbursement amount increases by the rate to establish the minimum reimbursement for each year of the lease. If the tenant’s reimbursement is lower, the minimum reimbursement amount will be used instead.
### Detailed Reimbursement Minimums

Choose **Detail** while the **Reimbursement Minimum** field is active to enter changing reimbursement minimums.

#### Date

You may enter a fixed date on which the amount is to take effect (MM/YY), or you may enter a date relative to the lease start date. The change will take effect in the month you specify. You cannot mix fixed and relative dates.

#### Amount

If you enter an amount in the first **Amount** field that is less than or equal to 100, ARGUS interprets the remainder of your entries as per measurement unit per year amounts. If you enter an amount greater than 100, ARGUS interprets your entries as total currency amounts. These amounts are not subject to inflation.

### Minimum Growth

Use this field to specify the inflation amount to be applied to the entry in the **Reimbursement Minimum** field. If you entered detailed reimbursement minimums, this field is not available and the reimbursement minimum is not subject to inflation. If you leave this field blank, the amount will grow by the same inflation rate as the reimbursable expense.

<table>
<thead>
<tr>
<th>Reimbursement Minimum</th>
<th>Growth</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.00</td>
<td>5</td>
<td>Inflates by 5% per year</td>
</tr>
<tr>
<td>Detail</td>
<td>Detailed entries do not inflate</td>
<td></td>
</tr>
<tr>
<td>4.00</td>
<td>5</td>
<td>Inflates by expense inflation rate</td>
</tr>
</tbody>
</table>

### Reimbursement Maximum

This field is where you can specify the upper limit of what the tenant will reimburse. The tenant will never reimburse more than this amount. An entry in this field overrides an entry in the **Reimbursement Minimum** field if the minimum is higher than the maximum.

ARGUS interprets entries less than or equal to 100, as per measurement unit per year amounts, and entries greater than 100, as total currency amounts. These amounts will be subject to inflation if the **Reimbursement Maximum Growth** field is not set to 0.

If you leave this field blank and enter an inflation rate in the **Reimbursement Maximum Growth** field, the reimbursement will grow by no more than the expense inflation rate every year. This calculation is based upon the first non-zero expense year of reimbursement. The reimbursement amount grows by the rate to establish the maximum reimbursement for every year of the lease. If the tenant’s reimbursement is ever higher, the maximum reimbursement amount will be used instead.
Detailed Reimbursement Maximums

Choose Detail while the Reimbursement Maximums field is active to enter changing reimbursement maximums.

Date
Enter a fixed date on which the maximum begins (MM/YY), or enter the number of months from the lease start date until the maximum begins. The change will take effect in the month you specify. You cannot mix fixed and relative dates.

Amount
Enter the reimbursement maximum amount. ARGUS interprets amounts less than or equal to 100 as per measurement unit per year amounts, and amounts greater than 100 as total currency amounts. These amounts are not subject to inflation.

Maximum Growth
This field is where you specify the inflation rate to be applied to the entry in the Reimbursement Maximum field. If you entered detailed reimbursement maximums, this field is not available and the reimbursement maximum will not be subject to inflation. If you leave this field blank, the amount will increase by the same inflation rate as the reimbursable expense.

Percent Rent Offset
An entry in this field will reduce the amount of retail sales percent revenue paid by a percentage of the expense reimbursement. The amount of the expense reimbursement will not be affected. Enter the Percent Rent Offset as a number, ( 5 or .05 ). For percentages over 100%, you must enter a number greater than 100.

Example
This tenant pays $1,000 in expense reimbursements. This amount does not change. Without an offset, the tenant would pay $10,000 in retail sales percent revenue. A zero in the Percent Rent Offset field will have the same effect as leaving the field blank.

<table>
<thead>
<tr>
<th>% Rent Offset</th>
<th>Expense Reimbursement</th>
<th>Retail Sales Percent Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>$1,000</td>
<td>$9,500</td>
</tr>
<tr>
<td>100</td>
<td>$1,000</td>
<td>$9,000</td>
</tr>
</tbody>
</table>

If the rent is offset by 50%, ARGUS will subtract 50% of the expense reimbursement from the Retail Sales Percent Revenue.

\[
(\$10,000 - (\$1,000 \times 0.50)) = \$9,500
\]

Number of Terms to Apply Method
The entry in this field controls the number of terms in which the Detailed Reimbursement Method will override the reimbursement method entered in the Market Leasing Assumptions. If the Detailed Reimbursement Method is to apply to the first lease only, enter a 1. If this method is to be used for the entire analysis, enter a number greater than the number of terms in the analysis. After the expiration of the Detailed Reimbursement Method, expense reimbursements will be based on the recovery method specified in the associated Market Leasing Assumption.

Note: If you reference another Detailed Reimbursement Method in the associated Market Leasing Assumptions, the method referenced in the later term will take precedence. When this occurs, the previously referenced method will not be used in any more terms, even if the Apply Through Term has not reached the last term. If the Market Leasing Assumption overrides are used for reimbursements, the override reimbursement method will be used for that term.
Example
A Reimbursement Method that is set to apply for 9 terms is referenced for a tenant on the Rent Roll. In the tenant’s Market Leasing Assumptions, the Term 2 override column specifies that the Reimbursement Method is to apply for 1 term.

In the current term, ARGUS will use the Reimbursement Method referenced on the Rent Roll. In the second term, ARGUS will use the Reimbursement Method referenced in the Term 2 column in the Market Leasing Assumptions. In the third term, ARGUS will use the current market value in the Market Leasing Assumptions for the reimbursement method. Once ARGUS overrides a Detailed Reimbursement Method referenced on the Rent Roll, it no longer applies.

Gross Up Expenses
This field allows you to specify that expenses are to be grossed up to a level that is different from the level specified for the property on the Reimbursable Expenses window. Choose one of the following options from the drop-down list in the field:

- Global
- Yes
- No

If you select Global in this field, ARGUS will gross up the expenses at the level entered on the Reimbursable Expenses window. If you select Yes, you can enter a different occupancy level to gross the expenses up to. If you select No, ARGUS will not gross up the expenses for the reimbursement calculation.

Use of Detailed Reimbursement Methods
ARGUS treats each expense item entered on the Reimbursable Expenses window as a separate item on the Detailed Reimbursement Method window. When you create a Detailed Reimbursement Method category for a particular tenant, decide how the tenant will handle an expense, and then look below for an example that matches the method of reimbursement. When you have entered the necessary data for that expense, move on to the next expense, and repeat the procedure.

Examples

<table>
<thead>
<tr>
<th>Example</th>
<th>Problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The building is grossed up to 98%.</td>
</tr>
<tr>
<td>2.</td>
<td>One tenant does not use grossed up expenses.</td>
</tr>
<tr>
<td>3.</td>
<td>The building has been re-measured. New leases show the change.</td>
</tr>
<tr>
<td>4.</td>
<td>The building has a &quot;95% clause.&quot;</td>
</tr>
<tr>
<td>5.</td>
<td>The tenant stop increases during the lease.</td>
</tr>
<tr>
<td>6.</td>
<td>The maximum reimbursement goes up by 2% a year.</td>
</tr>
<tr>
<td>7.</td>
<td>The tenant has a $3.00 stop on Taxes and Insurance only.</td>
</tr>
<tr>
<td>8.</td>
<td>The tenant pays a fixed amount that grows at inflation.</td>
</tr>
<tr>
<td>9.</td>
<td>The tenant will not pay more than $5.00 for reimbursements.</td>
</tr>
</tbody>
</table>

Example 1
For tenants who reimburse the expenses of a building grossed up to 98% occupancy, the fields near the bottom of the Reimbursable Expenses window should appear as follows:
Example 2
One tenant in the above building does not reimburse the expenses grossed up to 98% occupancy. The solution is to create a Detailed Reimbursement Method for the tenant. In this case, the fields near the bottom of the Detailed Reimbursement Method window for the tenant should appear as follows:

Example 3
The building has been re-measured. The change will take effect as leases rollover. The solution is to create a Detailed Reimbursement Method that references the new building measure in the Area Measure field. This Detailed Reimbursement Method would be referenced in the Market Leasing Assumptions for the tenant and could be modified as necessary to match each tenant’s reimbursement situation.

Example 4
The "95% Clause" refers to adjusting tenant’s proportionate share of the building so that fixed expenses are fully recovered when the building is at 95% or higher occupancy. The solution is to create a Detailed Reimbursement Method. In this case, you should not select Property Size in the Area Measure field. Instead, you should select Occupied Total. To prevent full reimbursement if the occupancy drops below the 95% level, enter an Area Minimum of 95.

Example 5
The tenant stop changes during the lease. The solution is to use the Detailed Amount entry to enter the changing stop amounts. After creating a Detailed Reimbursement Method, select the appropriate Reimbursement Method. Choose Detail while the Amount field is active. This allows entry of up to 12 dates and the corresponding stop amount. Detailed Stop amounts can also be used when the expenses are grouped.

Example 6
The maximum amount the tenant will reimburse goes up by 2% a year. The solution is to enter 2 in the Reimbursement Maximum Growth field. Enter the dollar amount of the expense cap in the Maximum field, or leave blank to use the first year’s reimbursement amount as the starting maximum amount.

Example 7
The tenant has a $3.00 stop on Taxes and Insurance only. The solution is to create a Detailed Reimbursement Method. In this case, select Group Total, see below in the Reimbursement Method field for Taxes and Insurance. In the Group line, enter the $3.00 stop amount.

Example 8
The tenant pays a fixed amount that grows at inflation. The solution is to create a Detailed Reimbursement Method. Select Pays Specific $ Amount in the corresponding Reimbursement Method field. Enter the amount that the tenant pays in the Reimbursement Minimum field. Leave the Growth field blank to specify that the amount should grow at the expense inflation rate.

Example 9
The tenant will not pay more than $5.00 for reimbursements. The solution is to select Group Expense, see below in the corresponding Reimbursement Method field. In the Group line, enter the 5.00 amount in the corresponding Reimbursement Maximum field. Enter 0 in the Growth column to prevent the 5.00 amount from growing at the rate of inflation.
ARGUS calculates the Detailed Reimbursement Method reimbursements in the following manner:

1. ARGUS starts with the total expense from the Schedule of Expense Reimbursement Revenue report. This expense has been adjusted for occupancy and for the calendar or fiscal timings. If the property specifies fiscal timing with fiscal reimbursement, the first section of this report will be the one ARGUS uses for the reimbursement calculations. If the property specifies fiscal timing with calendar reimbursement, ARGUS will use the second section of this report for these calculations. This section is labeled "Calendar Year Reimbursable Operating Expenses used for Reimbursement Calculations."

If the Detailed Reimbursement Method is specifies that expenses are to be grossed up to a level different from the property level expenses, ARGUS will adjust the property expenses to the level entered on the Detailed Reimbursement Method window.

2. ARGUS then multiplies the expense amount by the percentage specified in the **Chargeable Percent** field. If the entry in this field is 100, ARGUS will not modify the expense.

3. ARGUS will increase the stop being used, if any, to a full dollar amount. Depending on the entry in the **Area Measure** field, ARGUS will multiply the stop by the necessary area. If the stop was entered as a building stop, this step is not necessary.

ARGUS will then subtract the stop from the expense. If the expense is less than the stop, there is no reimbursement, unless a minimum is entered. If the expense is greater than the stop, ARGUS will use the difference in the next step.

4. ARGUS calculates the tenant's pro rata share of the remaining amount based on the tenant's square footage divided by the area selected in the **Area Measurement** field. If an amount is entered in the **Pro Rata Percent** field, ARGUS will ignore the tenant's square footage and use the percentage entered to determine the amount of the expense that is reimbursable.

5. ARGUS then compares the resulting expense to the Reimbursement Minimum and increases it if the minimum is greater than the expense.

6. ARGUS then compares the resulting expense to the Reimbursement Maximum and reduces it if the Maximum is less than the expense. Reimbursement will not exceed the amount of the Maximum. The Maximum takes precedence over the Minimum. The result of this step is the resulting reimbursement. The reimbursement amount is not affected by the **Percent Rent Offset**.

Reimbursements may also be calculated on a per square measure basis. The results will be the same.

**Group Expenses**

To determine a group expense reimbursement, the amount of each individual expense is added to the total. ARGUS then determines the reimbursement using the steps above. This reimbursement amount is allocated to each expense line of the tenant depending on the relative size of each expense (percentage of total).
Leasing Costs include leasing commissions and tenant improvements. You can create categories for leasing costs that can be referenced from the Rent Roll window and the Market Leasing Assumptions window.

**Tenant Improvements**

Tenant Improvement categories allow you to specify that tenant improvements inflate over time. This is very useful for the leasing of a large amount of vacant space. Another advantage to referencing a category is that you can change tenant improvement amounts for a large number of tenants by changing the input in a single category.

You can access the Tenant Improvements category window from the Rent Roll window, the Market Leasing Assumptions window, and the Market menu on the ARGUS initial menu screen. To create a Tenant Improvement category, choose New on the Tenant Improvement category window.

**Category**

Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: TI1, TI2, TI3, etc.
Based On
This field allows you to create categories that are based upon other categories. If you wish to base the current category upon another category, you may choose it in this field.

Before you can base one category upon another, you must create the category on which the others will be based. Create this category as explained below. Once you have created the category, you can create another category (or many other categories) based upon that category.

Note: You may base categories on other file-specific categories or on global categories that will be available in all your ARGUS files. For more information on global categories, see Chapter 30, Global Categories.

If you choose to base the current category upon another category, ARGUS will display the Adjustments field. You can use this field to specify the type of adjustments from the original category you wish to make to the current category. You may choose from the following options:

- % (Percent) Adjust: If you select this option, ARGUS interprets the entries in the fields below as percentages.

- $ (Currency) Amount Adjust: If you select this option, ARGUS interprets the entries in the fields below as currency amounts.

When you base one Tenant Improvements category upon another, the Inflation row will be replaced with two additional rows. The New Result (Inflated) row shows the calculated amounts for the new tenant improvements; the Renewal Result (Inflated) row shows the calculated amounts for the renewal tenant improvements.

Payment Made
The selection in this field determines whether tenant improvement costs will be applied in the first month of the lease or spread throughout the lease term. To apply tenant improvement costs in the first month of the lease, select First Month, or choose Detail to enter specific payment options.

Note: This field is not available in global categories.

See the Payment Option Categories section at the end of the chapter for more information.

New and Renewal
You can enter new and renewal tenant improvement amounts for every year of the analysis. Enter these amounts currency per measurement unit values (e.g., dollars per square foot). These amounts will be subject to inflation unless you specify otherwise. To copy the entry in the active field to all remaining fields, choose Extend.

If you leave any of the New fields blank, no tenant improvement costs will be applied in that year. These amounts are used for non-option tenants on the Rent Roll window and the Space Absorption window, and when this category is referenced in the Market Leasing Assumptions. If you leave any of the Renewal fields blank, ARGUS will interpret them as equal to the entries in the New fields in the corresponding year.

Keep in mind that if you are basing this category upon another, the entries in these fields should reflect the adjustments you are making to the original category.
**Inflation**
ARGUS will apply leasing cost inflation or general inflation if you leave this section blank. Enter the inflation amount as a number greater than or less than one (3 or .03 = 3%) to override general inflation. Note that the first year does not allow you to enter an inflation value.

**Example**
This Tenant Improvement category has $15.00 per square foot for new tenants and $2.00 per foot for renewal tenants. When this category is referenced for a non-option tenant on the Rent Roll or Space Absorption window, only the new amount will be used.

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Renewal</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

No weighting of the new and renewal amounts will take place for Rent Roll tenants. ARGUS will only use the renewal amount for option tenants. In this example, values will inflate at the leasing cost or general inflation rate.

**Leasing Commissions**
You can access the Leasing Commissions category window from the Rent Roll window, the Market Leasing Assumptions window, and the Market menu on the ARGUS initial menu screen. To create a Leasing Commissions category, choose New on the Leasing Commissions category window.

**Category**
Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: LC 1, LC 2, LC 3, etc.

**Based On**
This field allows you to create categories that are based upon other categories. If you wish to base the current category upon another category, you may choose it in this field.
Before you can base one category upon another, you must create the category on which the others will be based. Create this category as explained below. Once you have created the category, you can create another category (or many other categories) based upon that category.

**Note:** You may base categories on other file-specific categories or on global categories that will be available in all your ARGUS files. For more information on global categories, see Chapter 30, Global Categories.

If you choose to base the current category upon another category, ARGUS will display the Adjustments field. You can use this field to specify the type of adjustments from the original category you wish to make to the current category. You may choose from the following options:

- **% (Percent) Adjust:** If you select this option, ARGUS interprets the entries in the fields below as percentages.

- **$ (Currency) Amount Adjust:** If you select this option, ARGUS interprets the entries in the fields below as currency amounts.

When you base one Leasing Commission category upon another, the Inflation row will be replaced with two additional rows. The New Result (Inflated) row shows the calculated amounts for the new leasing commissions; the Renewal Result (Inflated) row shows the calculated amounts for the renewal leasing commissions.

**Payment Made**

This field determines whether the leasing commission is to be applied in the first month of the lease or if it is to be spread throughout the lease term. To apply leasing commissions in the first month of the lease, select First Month. To specify that leasing commissions are to be applied throughout the lease term, select Spread. Choose Detail to enter specific payment options.

**Note:** This field is not available in global categories.

See the Payment Options Categories section at the end of this chapter for more information.

**Unit of Measure**

Select one of the following units of measure for the leasing commission:

- **Percent:** If you select this option, ARGUS uses the entered percentage of base rent + step rent - free rent for the entire lease.

- **Currency per Measurement:** If you select this option, ARGUS multiplies the tenant’s area by the amount entered (e.g., dollars per square foot). If you select this unit of measure, you will not be able to choose specific components (e.g., base rent, free rent, step rent, etc.) to be included in the calculation of leasing commissions.

- **Lease Year Percentage:** If you select this option, ARGUS uses the entered percentage of base rent + step rent - free rent. You may enter up to 11 years. The 11th year will be used for all remaining years. Note that the column headers change when you move the focus to the next field.
- **First Month and Percent of Remaining**: If you select this option, ARGUS allows you to enter a percentage of the first months base rent + step rent - free rent that is different from the percentage in the remaining months in the lease. Note that the column headers change when you move the focus to the next field. Enter the first month percentage in the % 1st Mo field, and then enter the percentage to be applied in the remaining months of the lease in the % Rest field.

- **First Year Plus Percent of Market Review**: If you select this option, ARGUS uses the entered percentage of base rent + step rent - free rent for the first year, and the entered percentage of rent increases for the remaining years. Note that this option, which is only available in the international version of ARGUS, works in conjunction with the Market Review and Market Review Up unit of measure options in Detailed Base Rent windows.

  For more information about the international version of ARGUS, contact your ARGUS sales representative.

**Include**

The checkboxes in this section of the window allow you to select which, if any, of the following components ARGUS will use to calculate leasing commissions.

- Base Rent
- Free Rent
- Step Rent
- Reimbursements
- Retail Sales
- CPI Rent

ARGUS will use the percentage entered in the New and Renewal fields for the selected components to calculate leasing commissions. For example, if you select Base Rent and Free Rent, and then enter 10% in the New and Renewal fields, ARGUS will add 10% of the base rent to 10% of the free rent and include the sum in the calculation of leasing commissions.

**New and Renewal**

Enter these amounts as a currency per measurement unit values or as percentages. ARGUS will use these amounts for the non-option tenants on the Rent Roll. Choose Extend to copy the entry in the active field into the fields to the right.

If you leave one of the Renewal fields blank, ARGUS will use the entry in the New field for that year. These amounts will be used for option leases on the Rent Roll, and when the category is referenced in the Market Leasing Assumptions.

**Inflation**

If you enter leasing commissions as currency amounts, rather than percentages, they will be subject to inflation. If you leave these fields blank, ARGUS will use lease cost inflation or general inflation if it was entered. Enter the inflation amount as a number greater than or less than one (3 or .03 = 3%) to override general inflation. Note that the first year does not allow you to enter an inflation value.
Example
This leasing commission category has a 7% leasing commission for new tenants and 2% leasing commission for renewal tenants.

<table>
<thead>
<tr>
<th>Category</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Renewal</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Inflation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

When this category is referenced for a non-option lease on the Rent Roll or Space Absorption window, ARGUS will only use the new amounts. No weighting of the new and renewal amounts will occur for Rent Roll leases. ARGUS will only use the renewal amounts for Option leases.

Payment Option Categories
Payment Option categories allow you to specify the months in which leasing commission amounts will be applied. You can enter amounts for up to two years before the lease begins by using the Year - 2 and Year - 1 columns.

You can access the Payment Options category window from the Tenant Improvements window, the Leasing Commissions window, and the Market menu on the ARGUS initial menu screen.

To create Payment Options categories, choose New on the Payment Options category window.

The month numbers on the left side of the window are relative to the lease start date. The first month of the lease would be Month 1, Year 1.

Category
Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following convention: Pmt Option 1, Pmt Option 2, Pmt Option 3, etc.

Amounts
Enter the leasing cost amounts as a percentage of how much should be applied in a specific month of the lease.
CHAPTER 13

Parking Revenue

You can enter parking revenue on the Parking Revenue window or as a single line item on the Miscellaneous Revenues window. To display the Parking Revenue window, select Parking Revenue from the Tenant menu.

Market Rate
Enter the current monthly market rate for a parking stall. The amount you enter will be used to calculate parking revenue. Parking revenue is based on occupancy and will inflate by the general inflation rate.

Inflation
Enter the rate by which the market rate is to be inflated. Leave this field blank to use the general inflation rate.

Total Stalls
Enter the total number of revenue producing parking spaces.

Maximum Occupancy
Enter the annual maximum occupancy percentage to be used for the parking garage as a number that is greater than one. This percentage may exceed 100% since the garage may oversell in/out.

The amount you enter should account for both contract and daily in/out parking.

Example
To oversell the garage by 10%, enter 110.

Calculation Methods
There are two available methods for calculating parking revenue.
If the number of spaces allocated to all tenants in the Rent Roll (on the Rent Changes window) is greater than or equal to the entry in the **Total Stalls** field (on the Parking Revenue window) multiplied by the entry in the **Maximum Occupancy** field (on the Parking Revenue window) and the Percent Occupancy (SqFt entered/SqFt total; found at the bottom of the Rent Roll window), then ARGUS determines the parking revenue based on the Rent Roll information.

**Example**

<table>
<thead>
<tr>
<th>Tenant 1:</th>
<th>2000 spaces</th>
<th>Amt/Space/Month: 60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant 2:</td>
<td>1000 spaces</td>
<td>Amt/Space/Month: 75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rent Roll</th>
<th>Parking Revenue Window</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant 1:</td>
<td>Market Rate/Month: 100</td>
</tr>
<tr>
<td>Square</td>
<td>Total Stalls: 4000</td>
</tr>
<tr>
<td>Tenant 2:</td>
<td>Maximum Occupancy: 100%</td>
</tr>
</tbody>
</table>

In this example, the total number of spaces on the Rent Roll is 3000 (2000 for Tenant 1 and 1000 for Tenant 2). The product of Total Stalls, Maximum Occupancy, and Percent Occupancy is 1600 ((4000 * 100% * (2000/5000))). The monthly parking revenue is calculated 

\[
(2000 * 60) + (1000 * 75) = 195,000.
\]

If the number of spaces allocated to all tenants in the Rent Roll is less than the number of stalls specified in the Parking Revenue window multiplied by the entry in the **Maximum Occupancy** field and the Percent Occupancy, ARGUS determines the parking revenue by multiplying Market Rate/Month, Total Stalls, Maximum Occupancy, and Occupancy Percentage, then adding or subtracting the difference between the tenant's amount/space and market rate (Parking Revenue window) after multiplying by number of spaces allocated to tenant.

**Example**

<table>
<thead>
<tr>
<th>Tenant 1:</th>
<th>2000 spaces</th>
<th>Amt/Space/Month: 60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant 2:</td>
<td>1000 spaces</td>
<td>Amt/Space/Month: 75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rent Roll</th>
<th>Parking Revenue Window</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant 1:</td>
<td>Market Rate/Month: 100</td>
</tr>
<tr>
<td>Square</td>
<td>Total Stalls: 4000</td>
</tr>
<tr>
<td>Tenant 2:</td>
<td>Maximum Occupancy: 100%</td>
</tr>
</tbody>
</table>

In this example, the total number of spaces on the Rent Roll is 3000 (2000 for Tenant 1 and 1000 for Tenant 2). The product of Total Stalls, Maximum Occupancy, and Percent Occupancy is 3200 ((4000 * 100% * (2000/5000))). The monthly parking revenue is calculated 

\[
(100 * 4000 * 100% * (4000/5000)) - (2000 * (100 - 60)) + (1000 (110 - 100)) = 250,000.
\]
CHAPTER 14

Tenant Sort and Tenant Groups

Sorting Tenants

The Tenant Sort option is located on the Tenant menu in office, industrial and retail properties. The Supporting Schedules category window for these property types also includes a Sort button. You can access the Supporting Schedules category window by choosing Supporting Schedules from the Reports menu, and then choosing Standard.

Sorting Options

The sorting options available on the Sort Rent Roll window are:

- Tenant Name
- Suite
- Size
- Start Date
- Expiration Date
- Lease Type
- Floor
- SIC Code
- As Entered

The alphabetical tenant sort ignores the case of the letters. Fields that may contain letters and numbers are sorted numerically if all values are numbers or blanks. If there are any letters in these fields, the sort will be alphabetical.

The Lease Type option sort order is as follows: Office, Retail, and then Industrial. To reverse the sort order, select the Ascending or Descending option.
The As Entered option will sort tenants in the order in which they were originally entered on the Rent Roll window. New tenants inserted between existing tenants will appear at the bottom of the list when you choose this option.

Choose the Sort button to sort the Rent Roll. This modifies the entries on the Rent Roll window and cannot be undone. However, you can reorder tenants in the Rent Roll individually.

**Sorting Supporting Schedules**

You can also use the Sort button on the Supporting Schedules window to sort tenants. The Supporting Schedule Sort button does not modify Rent Roll entries; it only changes the order in which the data is listed in the report.

To return the reports to the original order, choose the No Sort button. This button replaces the Cancel button in the Supporting Schedules version of the Sort window. It will undo the sort in the report, even if you have closed and then reopened the analysis. This button also closes the Sort window.

**Tenant Groups**

Tenant Groups allow you to group different tenants together for use in Detailed Reimbursement Methods, CAM Pools, and Cash Flow reports based on occupied area measures.

To create Tenant Groups, select the **Tenant Groups** option from the **Tenants** menu, and then choose **New** on the resulting Tenant Groups category window.

**Group**

Enter a unique group name. If you leave this field blank, ARGUS will assign a name using the following conventions: Group 1, Group 2, Group 3, etc.
Available Tenants
This area lists current tenants. You can select tenant or space absorption leases using the following methods:

- Click on a tenant.
- Click and drag across several contiguous tenants.
- Hold down the CTRL key and click tenants that are not contiguous.
- Hold down the SHIFT key and use the arrow keys to select contiguous tenants.

Once you have selected the tenants, choose the Include button to move them to the Included Tenants area. Also, you can double-click a tenant to move it into the Included Tenants area.

Included Tenants
This area lists the tenants that are already in the group. You can select tenant or space absorption leases using the methods discussed in the Available Tenants section. Once you have selected the tenants, choose the Exclude button to move them out of a group and into the Available Tenants area. Also, you can double-click a tenant to move it out of the Included Tenants list.

Sorting Tenants in Tenant Groups
In addition to sorting tenants on the Rent Roll window, you can sort tenants on the Tenant Groups window by choosing Sort on the Tenant Groups window.

Sorting tenants on the Tenant Groups window will have no effect on the sort order of tenants on the Rent Roll window.
CHAPTER 15

Space Absorption

The Space Absorption window is where you enter information for vacant blocks of space.

Note: You can enter vacant space on the Rent Roll window, or on the Space Absorption window, but you should not enter the same space in both places.

You can display and edit the Space Absorption window by selecting the Space Absorption option from the Tenant menu on the ARGUS main menu screen.

Since the entire window is too wide to view at the same time, use the scroll arrows to scroll from side to side. The Space Description field is fixed on the window; all other fields scroll.

Left side of the Space Absorption window

<table>
<thead>
<tr>
<th>Space Description</th>
<th>Lease Type</th>
<th>Total Area</th>
<th>Date Avail</th>
<th>Begin Leasing</th>
<th>#/Size Leases</th>
<th>Create Leases</th>
<th>Term/Expire</th>
<th>Base/Min Rent</th>
<th>Unit of Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Currently Vacant</td>
<td>Office</td>
<td>28,726</td>
<td>200</td>
<td>5</td>
<td>Quarterly</td>
<td>5 15</td>
<td>$/SqFt/Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 To Replace Taylor</td>
<td>Office</td>
<td>35,573</td>
<td>3/37</td>
<td>3</td>
<td>SemiAnnually</td>
<td>5</td>
<td>Market</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Right Side of the Space Absorption window

The Space Absorption window differs from the Rent Roll window in the following ways:

- In the Space Absorption window, you can create many leases with only one line of entries.
- In the Space Absorption window, you have greater control in determining when the space becomes available for leasing.
Command Buttons
The table below lists the buttons that are available on the Space Absorption window, along with the action each button allows you to accomplish.

<table>
<thead>
<tr>
<th>Choose...</th>
<th>To...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close</td>
<td>Save any changes and exit the window.</td>
</tr>
<tr>
<td>Insert</td>
<td>Insert a new line item. The new line will be placed below the active line, or at the bottom of the list if no line is active.</td>
</tr>
<tr>
<td>Copy</td>
<td>Copy the active line and insert it directly below the original. This is useful when you are entering information for similar lines. You can then edit fields that should contain different information.</td>
</tr>
<tr>
<td>Delete</td>
<td>Delete the active line. You can only delete one line at a time. As a precaution, ARGUS prompts you to confirm the Delete command.</td>
</tr>
<tr>
<td>Move</td>
<td>To rearrange items, select the item, choose Move, and then click in the row to which you want to move the item.</td>
</tr>
<tr>
<td>Detail</td>
<td>This button is only available when the cursor is in a field that supports the entry of detailed information. Please refer to the individual fields discussions for more information on the use of the Detail button.</td>
</tr>
<tr>
<td>Direct</td>
<td>This button is only available when the cursor is in a field for which an existing category has been selected. Choose Direct while one of these fields is active to directly access the existing category.</td>
</tr>
<tr>
<td>Help</td>
<td>Access the ARGUS Help system.</td>
</tr>
</tbody>
</table>

Space Description
You may enter up to 32 characters in the Space Description field. The description will print on Tenant reports exactly as you enter it. Since report formats use upper and lowercase letters, you should enter the space description in upper and lowercase as well.

Note: If you intend to export reports to Microsoft Excel using the .CSV file format, avoid using commas in the space description, as this will cause a misalignment of columns.

Lease Type
Select one of the following options from the drop-down list in the field.

- Office
- Retail
- Industrial

You cannot select option leases in this field or create them on the Space Absorption window.

In addition to the preset lease types listed in the Lease Type field, you may also choose from any user-defined lease types you have created. For more information on creating user-defined lease types, see Chapter 30, Global Categories.

Total Area
Enter the total square area (e.g., total square footage) available for the space. Because the total area is used to calculate any space income entered as an amount per measurement unit (e.g., amount per square foot), an entry in this field is required. This field also determines the space’s natural pro-rata share of the building. You may use the abbreviations K for thousands and M for millions.
**Date Available**

The entry in the **Date Available** field determines when ARGUS will begin calculating potential rent for the space. ARGUS calculates potential rent at the market rent rate for vacant space that is available for leasing, but currently un-leased. Potential rent will be offset during the vacant period by absorption and turnover vacancy for the space.

Enter the date as the month and year (MM/YY) in which the space becomes available, or the number of months from the analysis start date until the space becomes available. If you leave this field blank, ARGUS uses the analysis start date as the available date.

**Begin Leasing**

The entry in the **Begin Leasing** field determines when ARGUS will begin leasing the space. The first lease created by ARGUS for this space will begin in the month in which leasing is to begin. This date cannot be prior to the date on which the space is available.

Enter the date as the month and year (MM/YY) in which leasing can begin, or enter the number of months following the available date until leasing can begin. If you leave this field blank, leasing begins as soon as the space is available.

**Example**

If the entry in the Date Available field is 1/01, and you enter 12 in the Begin Leasing field, leasing will begin in 1/02.

**Number/Size of Leases**

This field determines how many leases ARGUS will create from the total area of space. You may use either of the following methods:

- **Number of Leases:** Enter the number of leases that ARGUS should create. This number must be less than or equal to 120. ARGUS will create the specified number of leases. These leases will be equal in size, except for the last lease, which will contain the necessary square footage to account for the remaining square footage in the total area.

- **Size of Leases:** Enter the size of the leases. The size must be greater than 120. ARGUS will create all leases with that size. The last lease may be a different size in order to account for the remaining space in the total area. ARGUS will create the number of leases necessary to lease the total area.

**Example**

<table>
<thead>
<tr>
<th>#/Size Leases</th>
<th>#/Size Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>5,000</td>
</tr>
</tbody>
</table>

The entry on the left will create 12 leases. The entry on the right will create leases that are 5000 square feet in size. This leasing will continue until there is no space left.
Create Leases

The Create Leases field determines how often leases are to be created. You can specify that leases be created at the following intervals:

- Monthly
- Quarterly
- Semi-annually
- Annually

ARGUS will create leases at the beginning of every specified period. A lease will always be created on the begin leasing date regardless of the interval you select.

**Note:** Versions of ARGUS prior to Version 3.0 began leasing in the middle of the quarterly and semi-annual periods, rather the beginning as this version does.

**Example**

If leasing begins in January, the Monthly option indicates that a space will be leased in January, February, March, etc. The Quarterly option indicates that a space will be leased in January, April, July, etc. The Semi-Annually option indicates that a space will be leased in January and July.

**Note:** The remaining Space Absorption fields are a duplication of the Rent Roll fields. However, option leases are not allowed.

Term/Expiration

Enter the lease expiration date using one of the following methods:

- **Fixed date:** Enter the month and year in which the lease expires (MM/YY). ARGUS assumes all expirations occur at the end of the month.

- **Term Length:** Enter the number of whole years in the term length of the lease.

Base/Min Rent

This field is where you enter the base rent amount. The selection in the Unit of Measure field determines how ARGUS interprets the entry in this field. You may use the abbreviations K for thousands and M for millions. ARGUS interprets entries less than or equal to 500 as per measurement unit per year amounts, and entries greater than 500 as per year amounts. To delete detailed base rent, enter a new amount in the Base/Min Rent field.

If you leave this field blank and select % Market (percent of market) in the Unit of Measure field, the inflated new market rent in effect on the lease start date will be used as the base rent. The base rent remains constant during the lease term; it will not change when the market rent changes. You enter market rent in the Market Leasing Assumptions.
Detailed Base Rents
You can enter and edit multiple rent rates by choosing Detail while the Base/Min Rent field is active. You can specify that the rents begin at different times and use different units of measure. Detailed rent changes do not continue in future terms.

Specific changes in the base rent appear on the Base Rental Revenue line of the Cash Flow report. The other methods of changing rent are accessed through the Rent Changes field on the Rent Roll window and the same field on the Market Leasing Assumptions window.

**Date**
Enter the month and year in which the rent is to take effect (MM/YY) or enter the number of months from the lease start date until the rent is to take effect.

**Amount and Unit**
Enter the base rent amount and select one of the following methods from the drop-down list in the Unit field. You may use the abbreviations K for thousands and M for millions in the Amount field.

**Note:** In previous versions of ARGUS an “E” in the Date field was used to designate whether an amount was subject to annual increases. The “E” is no longer supported in detailed Base Rent windows. Use the Percent Increase Annual unit.

- **Currency per Measurement Unit per Year:** If you select this option, ARGUS multiplies the entry in the Amount field by the measurement unit per year. ARGUS defaults values less than or equal to the entry in the Highest per Unit field on the Input Switches window as measurement unit per year values.

- **Currency per Measurement Unit per Month:** If you select this option, ARGUS multiplies the entry in the Amount field by the measurement unit per month.

  **Note:** If you select Rents Entered Monthly on the Input Switches window, ARGUS will default amounts that are less than or equal to the entry in the Highest per Area Measure Unit field in the Input Switches window as per measurement unit per month amounts.

- **Currency Amount per Year:** If you select this option, ARGUS interprets the entry in the Amount field as annual rent. If you do not select a unit of measure, this option is the default for entries greater than 500.

- **Currency Amount per Month:** If you select this option, ARGUS interprets the entry in the Amount field as a monthly rent amount.

- **Percent Increase (% Increase):** If you select this option, ARGUS interprets the entry in the Amount field as a percentage. If you select this option and leave the Amount field blank, ARGUS will use CPI inflation or general inflation. The rent entered in the previous line in the Detailed Base Rent window will be increased by this percentage on the designated date. You can only select this option after entering a rent amount on a previous line. If you use it on the first line of a Detailed Base Rent window, you will receive an error message. The following formula is used to calculate a percent increase:

  \[(\text{Percentage Increase}) \times (\text{Previous Rent}) = (\text{Increase})\]

  \[(\text{Increase}) + (\text{Previous Rent}) = \text{Rent Generated}\]
Percent Increase Annually (% Inc Annual): If you select this option, ARGUS interprets the entry in the Amount field as a percentage. The rent entered in a previous line in the Detailed Base Rent window will be increased by this percentage each year. You can only select this option after entering a rent amount on a previous line. If you use it on the first line of a Detailed Base Rent window, you will receive an error message.

Percent of Market (% Market): If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the inflated new market rent in the associated Market Leasing Assumptions category.

Percent of Market Annually (% Mkt Annual): If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the associated Market Leasing Assumptions. The rent will change by the entered percentage. ARGUS uses 100% of the market rate in detailed base rent if you leave the Amount field blank and select this option.

Market Review: If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the associated Market Leasing Assumptions. ARGUS resets the rent to the market rent (or the percentage of the market rent entered in the Amount field) specified in the Market Leasing Assumptions and recalculates the base year stop if there is one. To use 100% of the market rent, leave the Amount field blank, or enter 100.

Market Review Up: If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the associated Market Leasing Assumptions. ARGUS compares the rent to the market rent (or the percentage of the market rent entered in the Amount field). If the rent is lower, ARGUS will raise it to the market rent, or the specified percentage of market rent. If there is a base year stop, it will be recalculated regardless of whether the rent is higher or lower than the market rent. To use 100% of the market rent, leave the Amount field blank, or enter 100.

Market Review Down: If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the associated Market Leasing Assumptions. ARGUS compares the rent to the market rent (or the percentage of the market rent entered in the Amount field). If the rent is higher, ARGUS will lower it to the market rent, or the specified percentage of market rent. If there is a base year stop, it will be recalculated regardless of whether the rent is higher or lower than the market rent. To use 100% of the market rent, leave the Amount field blank, or enter 100.

Note: The Market Review, Market Review Up, and Market Review Down options are only available in the international version of ARGUS. For more information about the international version of ARGUS, contact your ARGUS sales representative.

Unit of Measure
Select the unit of measure that corresponds with the entry in the Base/Min Rent field. The selection in this field determines how ARGUS interprets the entry in the Base/Min Rent field.

You may choose from the following options:

Currency per Measurement Unit per Year: If you select this option, ARGUS multiplies the entry in the Base/Min Rent field by the measurement unit on a yearly basis. ARGUS interprets amounts that are less than or equal to the Highest Per Unit field on the Input Switches window as per measurement unit per year amounts.
Chapter 15: Space Absorption

- **Currency per Measurement Unit per Month**: If you select this option, ARGUS multiplies the entry in the Base/Min Rent field by the measurement unit on a monthly basis. ARGUS interprets amounts that are less than or equal to the Highest Per Unit field in the Input Switches window as per measurement unit per month amounts.

- **Currency Amount per Year**: If you select this option, ARGUS interprets the entry in the Base/Min Rent field as an annual rent amount.

- **Currency Amount per Month**: If you select this option, ARGUS interprets the entry in the Base/Min Rent field as a monthly rent amount.

- **Percent of Market (% Market)**: If you select this option, ARGUS interprets the entry in the Base/Min Rent field as a percentage of the New Market Rent in the associated Market Leasing Assumptions.

### Rent Changes

The Rent Changes field allows you to enter changes to the rent for the space. The changes entered in this section will be reported on their own line on the Cash Flow reports. When there are no rent changes, you may leave this field blank. To enter rent changes, choose **Detail** while the Rent Changes field is active.

The Rent Changes window consists of the following major sections:

- **Step Rent**
- **Porters’ Wage**
- **Miscellaneous Rent**
- **CPI Rent**
- **Parking**

If you enter any rent changes, the word **Yes** will be displayed in the Rent Changes field of the line item on the Space Absorption window. Select **No** if you later decide you do not need them.

Rent changes entered from the Rent Roll and Space Absorption screens do not continue in future terms. You must enter rent changes for future terms in the Market Leasing Assumptions. For a complete description of rent changes, see Chapter 8, *Rent Changes*. 
Retail Sales Rent Changes

The **Retail Sales** field allows you to enter sales percentage rent. Changes in rent entered in this section will be reported on their own line on the Cash Flow reports. When there are no retail sales rent changes, you may leave this field blank. To enter retail sales rent changes, choose **Detail** while the **Retail Sales** field is active.

The Retail Sales Rent Changes window includes the following major sections:

- **Volume**
- **Percent**
- **Breakpoint**
- **Secondary Sales Category**

If you enter any retail sales rent changes, the word **Yes** will be displayed in the **Retail Sales** field for the line item on the Space Absorption window. Select **No** if you later decide you do not need them.

Retail sales rent changes will continue in future terms unless there is an entry in any of the **Retail Sales** fields on the Market Leasing Assumption Rent Changes window. For a complete description of retail sales rent changes, see Chapter 10, *Retail Sales Rent Changes*.

Reimbursements

If you leave the **Reimbursements** field blank, ARGUS automatically enters an expense reimbursement method. This differs from versions prior to 3.0, which used the reimbursement method in the Market Leasing Assumptions if the **Reimbursements** field was left blank. To enter an expense reimbursement, use one of the methods below.

**Selecting a Method**

Select one of the following reimbursement methods from the drop-down list in the **Reimbursements** field. You cannot edit or delete any of these methods.

- **Net**: If you select this option, the space will reimburse its pro-rata share of reimbursable expenses.

- **Base Stop**: If you select this option, ARGUS establishes a base year expense stop. The space will reimburse its pro-rata share of reimbursable expenses above the base level.

- **None**: If you select this option, the space will not reimburse any expenses.
Entering a Specific Stop Amount
Enter a specific total expense stop amount. ARGUS will apply this amount to all reimbursable expenses. The space will pay its pro-rata share of reimbursable expenses above the stop. Use the base stop method if you want ARGUS to calculate it for you.

Detailed Reimbursements
To enter detailed reimbursements, choose Detail while the Reimbursement field is active. For information on detailed reimbursements, see Chapter 11, Detailed Reimbursement Methods.

Note: The stop entered here will be used for the current term only. At renewal, the expense reimbursement method used in the Market Leasing Assumptions will take effect.

Rent Abatements
This field is optional. If there is no free rent, or if the free rent took place before the analysis, leave this field blank. If you leave the field blank, no rent abatements will be applied in the current lease term. To abate 100% of the base rent and CPI rent at the beginning of the lease, enter the number of months to abate here.

Example
Tenant A has 3 full months of free rent, Tenant B has 1.5 full months of free rent, Tenant C has no free rent, and tenant D has 12 full months of free rent. All free rent is applied at the beginning of their leases.

<table>
<thead>
<tr>
<th>Tenant Name/Description</th>
<th>Rent Abatement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant A</td>
<td>3</td>
</tr>
<tr>
<td>Tenant B</td>
<td>1.5</td>
</tr>
<tr>
<td>Tenant C</td>
<td></td>
</tr>
<tr>
<td>Tenant D</td>
<td>12</td>
</tr>
</tbody>
</table>

Detailed - Rent Abatement Categories
The detailed rent abatement method allows you to enter multiple periods in the lease to be abated, each with a different percent. You enter abatements for future terms in the Market Leasing Assumptions. To enter rent abatement detail, choose Detail while the Rent Abatement field is active. For information on Rent Abatement categories, see Chapter 9, Rent Abatements.

Leasing Costs
The Leasing Costs field allows you to enter leasing commissions and tenant improvements. If there are no leasing commissions or tenant improvements, you can leave this field blank. To enter leasing costs, choose Detail while the Leasing Costs field is active.
Tenant Improvements
You can enter tenant improvements as an amount, or as a category reference. Leave this field blank if there are no tenant improvements. Tenant improvement amounts will be applied in the first month of the lease.

Entering an Amount
Enter the tenant improvement amount as a currency per measurement unit amount (e.g., dollars per square foot). This amount will not be subject to inflation.

Example
The following shows a tenant improvement amount of $12.00 per square foot.

Referencing a Category
Tenant Improvement categories allow you to specify that tenant improvements inflate over time. This is useful for the leasing of a large amount of vacant space. Another advantage to referencing a category is that tenant improvement amounts can be changed for a large number of tenants by changing one category. To reference a category, select one from the drop-down list in the Tenant Improvement field on the Leasing Costs window.

Creating a Tenant Improvement Category
To create Tenant Improvement categories, choose Detail while the Tenant Improvement field is active. For information on Tenant Improvement categories, see Chapter 12, Leasing Costs.

Leasing Commissions
You can enter leasing commissions as a percentage or as a category reference. These methods are described below. Referencing a category allows you to enter the leasing commission with different measures and different payment schedules. Leave this field blank if there are no leasing commissions.

Entering an Amount
Enter the leasing commission as a percentage of rent. You can enter this percentage as a number greater than or less than one (5 or .05 = 5%). If you need to enter leasing commissions as a currency per measurement unit amount (e.g., dollars per square foot), you must use a category.

Example
This example shows a leasing commission of 5%. This amount will be calculated for the entire lease term, but will be applied in the first month of the lease.

Referencing a Category
Categories allow you to specify that leasing commissions vary over time or have different units of measure. To reference a category, select one from the drop-down list in the Leasing Commissions field on the Leasing Costs window.

Creating a Leasing Commission Category
To create or edit Leasing Commission categories, choose Detail while the Leasing Commissions field is active. See Chapter 12, Leasing Costs, for more information on Leasing Commission categories.
Market Leasing Assumptions

Market Leasing Assumptions allow you to set up the market conditions that will be used after the current lease expires. Market Leasing Assumptions are needed for all spaces, even if they do not renew in the analysis time frame. For current spaces, the Market Leasing Assumptions will only be referenced when you select Percent of Market.

You may use the same Market Leasing Assumption category for all spaces, or you can create a different category for each space. If any items are different for two spaces, you should use a different Market Leasing Assumption category for each space.

To reference a Market Leasing Assumption category, select the category from the drop-down list in the Market Leasing field. To add a category to the list, choose Detail while the field is active. For more information on Market Leasing Assumptions, see Chapter 16, Market Leasing Assumptions.

Upon Expiration

The Upon Expiration field determines what happens to the space when the current lease expires. You may choose from the following options:

- **Market**: Selecting this option indicates that the space will be re-leased according to the weighted average parameters in the associated Market Leasing Assumptions. If you select Market, you can enter a renewal probability percentage in the Renewal Probability field. After the first lease expires, the space will be re-leased using the information in the associated Market Leasing Assumptions.

- **Renew**: Selecting this option indicates that the space will be re-leased according to the parameters in the associated Market Leasing Assumptions. The space will have a 100% probability of renewing. The renewal probability in the Market Leasing Assumptions will not be used for the first rollover. Only the renewal values in the Market Leasing Assumptions will be used for the first rollover. No weighting will occur. After the first rollover, the space will be re-leased using the information in the associated Market Leasing Assumptions.

- **Vacate**: Selecting this option indicates that the space will be re-leased according to the parameters in the associated Market Leasing Assumptions. The lease will have 0% probability of renewing. The renewal probability in the Market Leasing Assumptions will not be used for the first rollover. Only the new values in the Market Leasing Assumptions will be used for the first rollover. No weighting with the renewal values will occur. After the first rollover, the space will be re-leased using the information in the associated Market Leasing Assumptions.

- **ReAbsorb**: Selecting this option ends the revenue from the space when the lease expires. To re-lease the space, you must enter it on either the Rent Roll or the Space Absorption window again.

Example

In this example, a 100,000-square-foot space will be split into 5 smaller spaces at the end of the lease. The Begin Leasing field is blank to begin leasing when the space is available. Potential rent will be calculated from the date the space is available.
**Intelligent Renewals**

Intelligent Renewal categories allow you to renew a lease base rent using the lesser or greater of the last month’s rent for the property, a contract rent rate, or a Market Leasing Assumptions category. To create Intelligent Renewal categories, choose **Detail** while the **Upon Expiration** field is active. See Chapter 7, *Office, Retail, & Industrial Rent Roll*, for more information on Intelligent Renewal categories.

**Renewal Probability**

This field is used to override the entry in the Market Leasing Assumptions **Renewal Probability** field for the first lease expiration. It is available when you select **Market** in the **Upon Expiration** field. If you selected any other option in the **Upon Expiration** field, this field will be disabled. If you leave the **Renewal Probability** field blank, ARGUS will use the renewal probability from the associated Market Leasing Assumptions. This field also overrides Portfolio Scenario entries used in portfolio consolidation.

**More/Notes**

The **More/Notes** field allows you to enter a floor, an SIC code, and notes for the space. In addition, you can use this option to assign spaces to global Tenant and Industry Groups by selecting them from the corresponding drop-down list. See Chapter 30, *Global Categories* for information on Tenant and Industry Groups.

The floor and SIC code may be up to 12 characters long. These fields can be used as tenant selection criteria in portfolios and as sort criteria in all properties. The **Notes** section can contain up to 350 characters including carriage returns.

Notes print on the Input Assumptions. You can also elect to print them on the Presentation Rent Roll. SIC codes (standard industrial classification codes) are government codes for various types of businesses.
Assigning a Space to a Tenant Group

To assign the current space to an existing Tenant Group, choose the **Tenant Group** button. When the Tenant Group window appears, choose *Yes* in the **Include** field for the group to which you wish to assign the space.

![Tenant Group Window]

Choose **OK** to return to the Space Absorption Notes window. The current space will now be included in the specified Tenant Group.
Market Leasing Assumptions

Market Leasing Assumption categories decrease the amount of time you spend entering values. Instead of typing the same values for every tenant, you can enter the projected market values once and reference them for all tenants who share similar characteristics.

You must assign a Market Leasing Assumptions category to each tenant, even if the lease does not renew within the analysis time frame. You can use the same type of Market Leasing Assumption categories for office, retail, and industrial leases.

Note: Categories with specific inflation entries will override any other applicable inflation rates in analysis calculations. They will also override scenario adjustments in portfolio calculations.

The Market Leasing Assumptions category is where you enter the market rent for current tenant leases and options. In addition, the Market Leasing Assumptions category is where you enter the following projected values for future tenant leases.

- Renewal Probability
- Market Rent
- Months Vacant between leases
- Tenant Improvements
- Leasing Commissions
- Rent Abatements
- Rent Changes
- Retail Sales Rent Changes
- Reimbursements
- Length of leases

If any of the above items are different for two leases, you must use different Market Leasing Assumption categories for each of those leases. You may use the same category for all leases with the same information, or you may use a separate category for each lease. You can use the Renewal Probability field on the Rent Roll to enter the rollover probability for current leases.

Most spaces in a property can fit into one of several categories. For example, in a small retail center, a large anchor tenant may pay less per measurement unit and have a longer lease than smaller tenants. If the smaller tenant leases are standard, you only need to use two Market Leasing Assumption categories because there are only two types of leases: the anchor tenant's lease and the smaller tenants' standard leases. If there are exceptions in a tenant's renewal data, assign a separate category to that tenant.

Example

Tenants renewing with 3-year terms would be assigned a different category than those renewing with 5-year terms, even though all other renewal variables are the same.

You assign these categories to tenant leases in the Market Leasing field on the Rent Roll window. To create Market Leasing Assumption categories from the Rent Roll window, choose Detail while the Market Leasing field is active, and then choose New on the Market Leasing Assumptions category window.

The Market Leasing Assumptions window also appears automatically when you choose Close on the Rent Roll window or when you insert a second tenant lease on the Rent Roll, if you have not already created at least one Market Leasing Assumptions category.
The Market Leasing Assumptions window is divided into several columns. Use the **New Market** column to enter values for new leases as of the analysis start date, and the **Renewal Market** column to enter values for renewal leases as of the analysis start date.

ARGUS does not determine which tenants are renewing leases or vacating the property. Instead, it uses the renewal probability to calculate the weighted average values of renewing and vacating rates in the Market Leasing Assumptions, and applies these values to spaces that have been specified as rolling to **Market** upon expiration. Market rent, tenant improvements, and leasing commissions entered as **per measurement unit** amounts will be subject to inflation; other values will remain constant during the analysis. You can reference categories for most items with values that change over time.

The **Term** override columns allow you to enter values to be applied in the corresponding lease term. ARGUS considers **Term 1** to be the current term, and you enter those values on the Rent Roll window. Term 2 is the first rollover to market. If you use the **Term** columns, any fields left blank will default to the weighted New or Renewal values. Amounts entered in the **Term** columns are not inflated and are not weighted by the renewal probability.

**Note:** For tenants with a large number of specific amounts upon rollover, it may be easier to enter future terms as Options on the Rent Roll window instead of creating a Market Leasing Assumption category that will only be used for a single tenant.

**Showing and Hiding the Term Columns**

To automatically display the **Term** columns whenever you access the Market Leasing Assumptions window, choose **Input** from the **Options** menu, and then select the following check box on the Switches tab. To hide the columns clear the check box.

- **Display Term override columns in Market Leasing Assumptions.**

In addition, you can show or hide the columns directly on the Market Leasing Assumptions window by choosing the **Overrides** button. If you hide the columns after data has been entered in them, a check will be displayed next to the **Overrides** button as illustrated below.
Command Buttons

The following buttons are available on the Market Leasing Assumptions window.

<table>
<thead>
<tr>
<th>Choose...</th>
<th>To...</th>
</tr>
</thead>
<tbody>
<tr>
<td>OK</td>
<td>Save your changes and exit the window.</td>
</tr>
<tr>
<td>Cancel</td>
<td>Exit the window without saving any changes.</td>
</tr>
<tr>
<td>Detail</td>
<td>This button is only available when the cursor is in a field that supports the entry of detail information. Please refer to the individual discussions of each field for more information on the Detail button.</td>
</tr>
<tr>
<td>Direct</td>
<td>This button is only available when the cursor is in a field for which an existing category has been selected. Choose the Direct button while one of these fields is active to directly access the existing category.</td>
</tr>
<tr>
<td>Overrides</td>
<td>Show or hide the Term columns. If you hide the columns after data has been entered in them, a check mark will be displayed next to this button.</td>
</tr>
<tr>
<td>Help</td>
<td>Access the ARGUS Help system.</td>
</tr>
</tbody>
</table>

Category

Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: MLA1, MLA2, MLA3, etc. This label may contain up to 30 characters and will print on the Presentation Rent Roll and Tenant Summary report.

Renewal Probability

You can enter the renewal probability as a percentage or as a category reference. Referencing a category allows you to enter renewal probabilities that change over time. The renewal probability is used to weight the entries in the New Market and Renewal Market columns for the following items:

- Market Rent
- Months Vacant
- Tenant Improvements
- Leasing Commissions
- Rent Abatements

You can use these items to calculate a weighted amount as long as there is an entry for them in the New Market and Renewal Market columns.

Entering a Percentage

The renewal probability does not affect entries in the Rent Changes, Retail Sales Rent Changes, Reimbursements, or Term Length fields. In addition, it does not affect any entries in the Term columns. If you use a detailed Rent Abatement category, the renewal probability will not affect abatements unless you are using Market Rent Abatement categories. For more information on Market Rent Abatement categories, see Chapter 29, Input Switches.

Enter the renewal probability as a number greater than one, or as a decimal (50 or .50). Your entry must be between 0% and 100%. If you leave this field blank, ARGUS will use a default renewal probability of 50%.

Renewal Probability Categories

Categories allow you to specify renewal probabilities that vary over time. To reference an existing category, select one from the drop-down list in the Renewal Probability field.
To create Renewal Probability categories, choose **Detail** while the **Renewal Probability** field is active, and then choose **New** on the Renewal Probability category window.

**Category**
Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: RENWL PROB 1, RENWL PROB 2, etc.

**Based On**
This field allows you to create categories that are based upon other categories. If you wish to base the current category upon another category, you may choose it in this field.

Before you can base one category upon another, you must create the category on which the others will be based. Create this category as explained below. Once you have created the category, you can create another category (or many other categories) based upon that category.

**Note:** You may base categories on other file-specific categories or on global categories that will be available in all your ARGUS files. For more information on global categories, see Chapter 30, **Global Categories**.

If you base the current category upon another category, ARGUS will display the **Adjustments** field. You can use this field to specify the type of adjustments from the original category you wish to make to the current category. You may choose from the following options:

- **% (Percent) Adjust:** If you select this option, ARGUS will interpret the entries in the fields below as percentages.

- **Basis Point Addition:** If you select this option, ARGUS will interpret the entries in the fields below as basis points.

When you base one Renewal Probability category upon another, ARGUS will display a **% to Renew Result** row near the bottom of the window. This row shows calculated renewal probability based upon the entries in the fields above.

**Percent to Renew**
These fields are where you enter the renewal probabilities. You may enter numbers greater than one, or decimal values (50 or .50). Your entries must be between 0% and 100%. The amounts increase or decrease over the term of the analysis. To copy the entry in the active field to all remaining fields, choose **Extend**.
Example
This example shows a renewal probability that increases over time until it stabilizes at 65% in Year 3. A lease that rolls to market in Year 1 of the analysis has a 45% chance of renewing. A lease that rolls in Year 5 has a 65% chance of renewing.

<table>
<thead>
<tr>
<th>% to Renew</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>45</td>
<td>55</td>
<td>65</td>
<td>65</td>
<td>65</td>
<td></td>
</tr>
</tbody>
</table>

Keep in mind that if you are basing this category upon another, the entries in these fields should reflect the adjustments you are making to the original category.

Entering the Renewal Probability for Specific Terms
If you wish to enter the renewal probability on a term-by-term basis, you can use the Term columns. If there are no entries in the Term columns, ARGUS uses the renewal probability in the Renewal Market column.

Renewal Probability categories are not available in the Term columns. Entries in these columns will affect the specified term only. ARGUS uses the renewal probability entered in the Renewal Market column for the fifth and all subsequent terms.

Example
This example shows a renewal probability of 50%. However, each lease assigned this Market Leasing Assumption category will have 75% probability of renewing as they move into their second term, or their first term in the market. All subsequent rollovers will have a 50% probability.

<table>
<thead>
<tr>
<th>Renewal Probability</th>
<th>Term 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>75</td>
</tr>
</tbody>
</table>

Market Rent
You can enter the market rent as a currency per square measurement per year amount for the starting year of the analysis, or as a category reference. Referencing a category allows you to enter market rents that change over time.

Entering an Amount
Market rent is used to determine a lease's starting rent. The new rent and renewal rent will be weighted by the entry in the Renewal Probability field and the resulting value will be used as rent for all spaces referencing this Market Leasing Assumption category when they rollover to market. The market rent does not change the tenant's rent during a lease term. You must use Rent Changes if you want the rent to change during a lease.

If you leave the Market Rent field in the New Market column blank, ARGUS will assume that it is zero. If you leave the Market Rent field in the Renewal Market column blank, ARGUS will use the value in the New Market column.

Amounts will be inflated by the market rent or general inflation rate. To enter varying market rent inflation rates, you must use a Market Rent category.

Example
This example shows a current market rent of $12.50 for new leases and market rent of $11.00 for renewing leases. The weighted average of these rents will be applied to all rollover leases referencing this Market Leasing Assumption category.

<table>
<thead>
<tr>
<th>Renewal Probability</th>
<th>New Market</th>
<th>Renewal Mkt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Rent</td>
<td>12.50</td>
<td>11.00</td>
</tr>
</tbody>
</table>
Renewal Rent
The Use Last Rent option in the Market Rent Renewal Market column allows you to select the current rent that a tenant is paying as the renewal rate in office, retail, and industrial properties. For example, you can model leases as 3-year leases with a renewal market rent that is equal to the rent in the last month of the 3-year lease.

This option will be weighted with the entry in the New Market column by the Renewal Probability. Reported Market Rent will be 100% of the New Market rate. Note that only the New Market rent will be used in Base Rent Percent of Market calculations. With this method, ARGUS will use 100% of the New Market value for Option leases. Since Option leases have no last rent, ARGUS cannot use 100% of the renewal value as it usually does. ARGUS will use the weighted average market shown at the bottom of the Tenant report for Changing Base Rent. This is based on the New Market rate when Use Last Rent is selected.

Market Rent Categories
Categories allow you to specify that market rents vary over time. To reference an existing category, select one from the drop-down list in the Market Rent field.

To create Market Rent categories, choose Detail while the Market Rent field is active, and then choose New on the Market Rent category window.

Category
Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: MKT RENT 1, MKT RENT 2, etc.

Based On and Adjustments
This field allows you to create categories that are based upon other categories. If you wish to base the current category upon another category, you may choose it in this field.

Before you can base one category upon another, you must create the category on which the others will be based. Create this category as explained below. Once you have created the category, you can create another category (or many other categories) based upon that category.

Note: You may base categories on other file-specific categories or on global categories that will be available in all your ARGUS files. For more information on global categories, see Chapter 30, Global Categories.
If you base the current category upon another category, the label on the Unit of Measure field changes to Adjustments. You can use this field to specify the type of adjustments from the original category you wish to make to the current category. You may choose from the following options:

- **% (Percent) Adjust**: If you select this option, ARGUS will interpret the entries in the fields below as percentages.

- **$ (Currency) Amount Adjust**: If you select this option, ARGUS will interpret the entries in the fields below as currency amounts.

When you base one Market Rent category upon another, ARGUS will replace the Inflation row with two additional rows. The New Result (Inflated) row shows the calculated amounts for the new market rent; the Renewal Result (Inflated) row shows the calculated amounts for the renewal market rent.

**Unit of Measure**

Enter the market rent as an amount per measurement unit per year or per month. The default is amount per measurement unit per year. To change the unit of measure, select one from the drop-down list in the field.

**New and Renewal**

Enter the new and renewal market rent amounts in the corresponding Year columns. Blank New fields will have no new market rent in that year. Blank Renewal fields will be considered equal to the new market rent in that year. To copy the entry in the active field to all remaining fields, choose Extend.

**Note**: In this section, years refer to the years of the analysis, not the years of the lease. These categories will not change the rent during a lease term. You must use Rent Changes to change the rent during a lease term.

Keep in mind that if you are basing this category upon another, the entries in these fields should reflect the adjustments you are making to the original category.

**Inflation**

If you leave the Inflation fields blank, ARGUS will inflate the entries in the New and Renewal fields by the market rent inflation or the general inflation rate. You may enter numbers greater than 1, or decimal values (.05 or 5). For zero inflation, enter a zero in the corresponding year. Inflation entered in categories will override inflation entered in portfolio scenarios. To copy the entry in the active field to all remaining fields, choose Extend.

Keep in mind that these fields are not available if you are basing this category upon another.

**Entering the Market Rent for Specific Terms**

The Market Rent Term columns allow you to enter the rent on a term-by-term basis. It is not necessary to use all of the Term columns. If you leave the Market Rent field in one of these columns blank, ARGUS will use the weighted, inflated, New/Renewal market rent.

Entries in the Term columns are not weighted by the renewal probability and do not inflate. Categories are not available in the Term columns. Entries in these columns affect only the specified term. ARGUS will use the weighted, inflated New/Renewal market rent for the fifth and all subsequent terms. ARGUS also uses this value to determine market rent for vacancy between leases.
Months Vacant

This section determines the downtime between leases. You can enter the months vacant as an amount, or as a category reference. Referencing a category allows you to enter amounts that change over time. If you leave this section blank, there will be no vacancy between leases. ARGUS automatically enters a zero in the Months Vacant field in the Renewal Market column because a renewing tenant will have no vacancy.

Entering an Amount

The Months Vacant amount in the New Market column will be weighted by the renewal probability to determine the amount of downtime applied to spaces with expiring leases. You can enter these amounts as fractional values, but ARGUS always applies a number of whole months. After weighting the entries in the New Market and Renewal Market columns, ARGUS rounds fractional months to the nearest number of whole months.

Example

This example shows 4.5 months of vacancy between leases. With a renewal probability of 50%, ARGUS will apply 2 months to all rollovers. This is the weighted average of \((4.5 \times 0.50 + 0) = 2.25\), rounded to the nearest full month, 2.

<table>
<thead>
<tr>
<th></th>
<th>New Market</th>
<th>Renewal Mkt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewal Probability</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Market Rent</td>
<td>MKT RENT 1</td>
<td></td>
</tr>
<tr>
<td>Months Vacant</td>
<td>4.5</td>
<td>0</td>
</tr>
</tbody>
</table>

Months Vacant Categories

Categories allow you to specify vacancy amounts that change over time. To reference an existing category, select one from the drop-down list in the field.

To create Months Vacant categories, choose Detail while the Months Vacant field is active, and then choose New on the Months Vacant category window.

Category

Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: MOS VAC 1, MOS VAC 2, etc.
**Based On**
This field allows you to create categories that are based upon other categories. If you wish to base the current category upon another category, you may choose it in this field.

Before you can base one category upon another, you must create the category on which the others will be based. Create this category as explained below. Once you have created the category, you can create another category (or many other categories) based upon that category.

**Note:** You may base categories on other file-specific categories or on global categories that will be available in all your ARGUS files. For more information on global categories, see Chapter 30, *Global Categories.*

When you base one Months Vacant category upon another, ARGUS will display an additional **# of Months Result** row near the bottom of the window. This row shows the calculated adjustments to the original category based upon the adjustment percentages you enter.

**Months Vacant (# of Months)**
Enter the number of months vacant for each year. Any years you leave blank will have zero months vacant. The amounts you enter are for new tenants. This amount will be weighted by the renewal probability and summed with a renewal amount of 0 to determine the weighted average months vacant. To copy the entry in the active field to all remaining fields, choose **Extend.**

**Example**
This example shows the necessary time to lease a space decreasing by one month per year.

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Months</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

Keep in mind that if you are basing this category upon another, the entries in these fields should reflect the percentage adjustments you are making to the original category.

**Entering the Months Vacant for Specific Terms**
The **Term** columns allow you to enter the months vacant on a term-by-term basis. Entries in these columns are not weighted by the renewal probability. The amount will be used exactly as entered for the specified term. If you leave the **Term** columns blank, ARGUS uses the weighted New/Renewal value.

Categories are not available in the **Term** columns. Entries in these columns affect the specified term only. ARGUS uses the weighted New/Renewal value in the fifth and all subsequent terms.

**Tenant Improvements**
You can enter tenant improvements as a currency per measurement unit amount for the starting year of the analysis or as a category reference. Using a category reference allows you to specify that tenant improvements inflate over time.

**Entering an Amount**
Enter tenant improvement amounts as an amount per measurement unit for the starting year of the analysis. This amount will be inflated by the leasing cost inflation rate or the general inflation rate. If you leave the **New Market** column blank, ARGUS assumes an entry of zero. If you leave the **Renewal Market** column blank, ARGUS assumes the renewal value is equal to the entry in the **New Market** column.
Tenant Improvement Categories
Tenant Improvement categories allow you to specify that tenant improvements will inflate over time. This is very useful for the leasing of a large amount of vacant space. To reference an existing category, select one from the drop-down list in the corresponding column.

To create Tenant Improvement categories, choose **Detail** in the Tenant Improvements **New** or **Renewal Market** column. See Chapter 12, *Leasing Costs*, for information on Tenant Improvement categories.

Entering Tenant Improvements for Specific Terms
The Tenant Improvements **Term** columns allow you to enter tenant improvements on a term-by-term basis. It is not necessary to use all of the **Term** columns. If you leave one of these columns blank, ARGUS will use the weighted and inflated New/Renewal tenant improvements.

The **Term** columns are not weighted by the renewal probability and they are not subject to inflation. Categories are not available from these columns. Entries in the **Term** columns affect the specified term only. ARGUS will use the weighted and inflated New/Renewal tenant improvements for the fifth and all subsequent terms.

Leasing Commissions
You can enter leasing commissions as a percentage or as a category reference. Categories allow you to enter leasing commissions with different measurement units and payment schedules.

Entering an Amount
Enter the leasing commission as a percentage of rent. You can enter this percentage as a number greater than or less than one (5 or .05 = 5%). The percentage will not be subject to inflation.

You must use a category to enter leasing commissions as per measurement unit amounts.

If you leave the **New Market** column blank, ARGUS assumes an entry of zero. If you leave the **Renewal Market** column blank, ARGUS assumes the renewal value is equal to the entry in the **New Market** column. Leasing commissions will be applied in the first month of the lease.

Leasing Commission Categories
Categories allow you to specify leasing commissions that vary over time. This is very useful for leasing a large amount of vacant space. To reference an existing category, select one from the drop-down list in the **Leasing Commissions** field.

To create Leasing Commission categories, choose **Detail** while the **Leasing Commissions** field is active. See Chapter 12, *Leasing Costs*, for information on Leasing Commission categories.

Entering Leasing Commissions for Specific Terms
The Leasing Commission **Term** columns allow you to enter the leasing commissions on a term-by-term basis. If you leave a **Term** column blank, ARGUS will use the weighted New/Renewal leasing commissions.

The **Term** columns are not weighted by the renewal probability and entries in these columns are not subject to inflation. Entries in the **Term** columns will affect the specified term only.

ARGUS will use the weighted New/Renewal leasing commissions for the fifth and all subsequent terms. You must use the same unit of measure for entries in the **Term** columns and in the **New Market** column. The unit of measure is usually a percentage of rent.
Rent Abatements
You can enter rent abatements as a percentage or as a category reference. Referencing a category allows you to enter changing rent abatements.

Entering an Amount
If all months to be abated are at the beginning of the lease and are to be 100% abated, enter the number of months of base and CPI rent that are to be abated. Fractional months are allowed. This amount is not subject to inflation. If you leave the New Market column blank, ARGUS assumes an entry of zero. If you leave the Renewal Market column blank, ARGUS assumes the entry in the Renewal Market column is equal to the entry in the New Market column.

Rent Abatement Categories
If the rent abatements are to be spread over the lease term, you must use a Rent Abatement category. Rent Abatement categories allow you to specify multiple rent abatement periods. To reference an existing category, select one from the drop-down list in the field. Rent Abatement categories are not weighted by renewal probability.

To create a Rent Abatement category, choose Detail while the field is active. For more information on Rent Abatement categories, see Chapter 9, Rent Abatements.

Market Rent Abatement Categories
You can use Market Rent Abatement categories to specify abatements that vary over the years of the analysis. In order to use Market Rent Abatement categories you must select the following option on the Input Switches window.

For more information, see Chapter 29, Input Switches.

Entering Rent Abatements for Specific Terms
The Rent Abatement Term columns allow you to set the rent on a term-by-term basis. If you leave a Term column blank, ARGUS will use the weighted New/Renewal rent abatements. The Term columns are not weighted by the renewal probability and are not subject to inflation. Categories are not available in the Term columns. Entries in these columns affect the specified term only. ARGUS will use the weighted New/Renewal rent abatements for the fifth and all subsequent terms.

Non-Weighted Items
Non-weighted items are not affected by the renewal probability. These items are applied to both new and renewal leases with no adjustments.

Rent Changes
Rent changes allow you to specify changes to the tenant's rent. The changes in rent due to the various items in this section will all be reported on their own line on the Tenant Cash Flow reports. You can access the Rent Changes window from the Rent Roll, Market Leasing Assumptions, and Space Absorption windows. Rent changes entered on the Rent Roll and Space Absorption windows will only be applied to current leases. Rent changes entered on the Market Leasing Assumptions window will be applied to future lease terms.
To enter rent changes, choose **Detail** while the **Rent Changes** field is active.

For more information on rent changes, see Chapter 9, *Rent Changes*.

**Retail Sales Rent Changes**

Retail sales rent changes, also known as **percentage rent**, allow you to specify the tenant's sales percentage rent. The changes in rent due to the various items in this section will all be reported on their own line on the Tenant Cash Flow reports.

**Note:** Retail sales rent changes entered on the Rent Roll or Space Absorption windows will continue in future lease terms, switching to a natural breakpoint at the start of each new lease unless there is an entry in any of the fields on the Retail Sales Rent Changes window accessed from the Market Leasing Assumptions window.

To enter retail sales rent changes, choose **Detail** while the **Retail Sales** field is active.

For more information on retail sales rent changes, see Chapter 10, *Retail Sales Rent Changes*. 
Reimbursements

You can use any of the following methods to enter reimbursements:

- Enter an expense stop as a currency per square area measurement unit amount.
- Select a method from the drop-down list in the Reimbursement field.
- Create and reference a Detailed Reimbursement category.

Expense reimbursements are not weighted by the renewal probability.

Entering an Amount

Enter a specific total expense stop as a number. This stop will be applied to all reimbursable expenses. A tenant will pay his or her pro-rata share of reimbursable expenses above the stop amount. Entries in this field will not be subject to inflation.

Selecting a Method

You can select from the following preset reimbursement methods. You cannot edit or delete any of these methods.

- **None**: This option specifies that the tenant will not reimburse any expenses.
- **Net Pro Rata**: This option specifies that the tenant will reimburse its pro-rata share of reimbursable expenses.
- **Base Year Stop**: If you select this option, ARGUS establishes a base year expense stop. The tenant will pay its pro-rata share of reimbursable expenses above the base level.

Detailed Reimbursement Method Categories

To enter detailed reimbursement information, you must use a Detailed Reimbursement Method category. To reference a Detailed Reimbursement Method category, select one from the drop-down list in the field.

To create Detailed Reimbursement Method categories, choose **Detail** while the Reimbursement field is active, and then choose **New** on the Detailed Reimbursement Methods category window.

For more information on Detailed Reimbursement Methods, see Chapter 11, *Detailed Reimbursement Methods*.

Entering Detailed Reimbursements in Multiple Terms

You can specify that Detailed Reimbursement categories continue for more than one lease term. This is controlled by the following check box near the bottom of the Detailed Reimbursement Method window:

![Number of terms to apply method: 1](image)

ARGUS will use the Detailed Reimbursement Method for the number of terms you specify in this field unless you select a different method or category in the Term override columns on the Market Leasing Assumptions window. If you select a different Detailed Reimbursement Method, ARGUS will use the new method when the new lease term begins.
Entering Reimbursements for Specific Terms
An entry in one of the Term columns will override a previously selected Detailed Reimbursement Method. Once a Detailed Reimbursement Method has been overridden, it will not be used in any future lease terms unless you select it again in one of the Term columns.

The simplest way to handle this series of interactions is to leave all Detailed Reimbursement Methods set to continue through only one term. This makes it easy to track which category is in use by any tenant during any term of the lease.

Term Lengths
The entry in this field determines the length of future leases. This value is not weighted by the renewal probability. You can enter the term length using either of the following methods:

- **Number of Years**: Enter the number of years of the future leases. Your entry must be less than 12 and cannot be fractional.
- **Number of Months**: Enter the number of months of the future leases. Your entry must be greater than 11 and cannot be fractional.

Note that ARGUS does not create leases that are less than one year in length in Market Leasing Assumptions categories.

Entering the Term Length for Specific Terms
The Term columns allow you to set the length of future leases on a term-by-term basis. It is not necessary to use these columns. If you leave any of these columns blank, ARGUS will use the New Market term length for the corresponding term.

Entries in the Term columns will affect the specified term only. ARGUS will use the New Market term length for the fifth and all subsequent terms.
CHAPTER 17

Property Purchase & Resale

The Property Purchase and Resale windows are used to determine the reversion value. The entries in this section determine the resale value and many of the financial ratios calculated by ARGUS.

![Property Purchase & Resale Window]

**Note:** The options *Capitalize Cash Flow After Tenant Improvements and Leasing Commissions*, *Capitalize Cash Flow Adjusted for Average Tenant Improvements and Leasing Commissions*, *Capitalize Net Operating Income using a Cap Rate Adjusted for Effective Property Age*, and *Grossed up to Stabilized Market Vacancy* are not available in hotel or general properties.

For unit sales properties, see Chapter 26, *Unit Sales Properties*.

**Initial Purchase Price**
The *Initial Purchase Price* field is optional. You can enter a currency amount, or you can choose *Detail* while the field is active and enter detailed amounts. If you leave this field blank, ARGUS cannot determine the internal rate of return (IRR).

**Warning:** The initial purchase price is calculated from month 1 expenses only; if you enter a detailed initial purchase price, you MUST enter the line item amount in the first month of the analysis. When using simple amounts, select the *Monthly* option in the *Frequency* field or they will not be included in the calculation.
Initial Purchase Price Detail
With the exception of the Adjust IRR field, the Initial Purchase Price detail window has the same fields as the revenue and expense windows. For information about these fields, see Chapter 5, Revenue and Expense Windows.

Note: If you enter notes on the Initial Purchase Price detail window, they will print in the Audit Trail section of the Sources & Uses of Capital report, but not on the Cash Flow report.

Adjust IRR
You can use this field to subtract a month 1 item from the cash flow when calculating IRR. This allows you to avoid including a component of the purchase price in the IRR calculation twice. To subtract a line, select Yes from the drop-down list in the field.

You must enter data in the Initial Purchase Price field if the resale is to be calculated with the Appreciate Initial Purchase Price method. The value does not have to be the initial price. If the property was purchased in the past or the purchase price is unknown, the entry can be any amount that represents the current value of the property or the value of the funds currently invested in the property.

Option for Resale Calculation
The selection in this field determines some available fields and buttons. Choose one of the methods below to calculate the resale value of a property:

- No resale calculation
- Directly input final year resale amount
- Appreciate initial purchase price
- Capitalize net operating income
- Capitalize cash flow after tenant improvements and leasing commissions
- Capitalize cash flow adjusted for tenant improvements and leasing commissions
- Capitalize net operating inc. using a cap rate adjusted for effective property age
- Grossed up to stabilized market vacancy
- Capitalization method

No Resale Calculation
Select this method if you do not want ARGUS to calculate the resale amount. This selection allows you to exit the window without making additional entries.

Directly Input Final Year Resale Amount
This method allows you to enter a specific resale value. After selecting this method, proceed to the Direct Resale Amount field. Enter the Amount, in total currency (usually dollars), for which this property will be sold at the end of the analysis. You may use the abbreviations K for thousands and M for millions. The amount you enter will not be inflated. If you use this method, the resale value will be reported only in the final year of the analysis. IRR will not be calculated for other years.
**Appreciate Initial Purchase Price**

This method will increase the initial purchase price by a growth rate every year of the analysis. The initial purchase price, growth rate, and the year of resale, determine the value of the property. Partial years will inflate by the full growth rate. After selecting this method, proceed to the **Growth Rate** field. This field is described in the *Cap Rate and Growth Rate* section later in this chapter.

\[ N = \text{Number of Years Before Resale (rounded up to a whole number of years)} \]
\[ \text{Inflation Factor} = (1 + \text{Growth Rate})^N \]
\[ \text{Initial Purchase Price} \times \text{Inflation Factor} = \text{Resale Amount} \]

**Capitalize Net Operating Income**

This method determines the resale value by dividing the net operating income (NOI) by the cap rate.

\[ \frac{\text{Net Operating Income}}{\text{Cap Rate}} = \text{Resale Value} \]

Net operating income includes all revenues, and reimbursable and non-reimbursable expenses. It does not include a deduction for debt service, capital expenditures, tenant improvements, leasing commissions, or development costs.

When you select this method, the **Cap Rate** field will be activated. This field is described in the *Cap Rate and Growth Rate* section later in this chapter.

**Capitalize Cash Flow After Tenant Improvements & Leasing Commissions**

This method determines the resale value by dividing the cash flow before debt by the cap rate. The cash flow before debt is the net operating income less tenant improvements, leasing commissions, capital expenditures, and development costs.

\[ \frac{\text{Net Operating Income} - \text{Tenant Improvements} - \text{Leasing Commissions} - \text{Capital Expenditures & Dev. Costs}}{\text{Value Used for Resale Calculation}} = \frac{\text{Value Used for Resale Calculation}}{\text{Cap Rate}} = \text{Resale Value} \]

This method includes all revenue and reimbursable and non-reimbursable operating expenses. It also subtracts the resale calculation year's tenant improvements, leasing commissions, and capital expenditures and reserves before calculating the resale value. This method does not include a deduction for debt service.

When you select this method, the **Cap Rate** field will be activated. This field is described in the *Cap Rate and Growth Rate* section later in this chapter.
Capitalize Cash Flow Adjusted for Average Tenant Improvements & Leasing Commissions

This method determines the resale value by dividing the net operating income, less average tenant improvements, leasing commissions, capital expenditures and reserves, and development costs, by the cap rate.

ARGUS calculates average leasing costs by discounting all tenant improvements and leasing commissions to the end of the first year of the analysis. The first year's leasing costs are not discounted. The total discounted leasing costs are then divided by the number of years in the analysis to determine an average leasing cost. This average is inflated back to the necessary resale year by the inflation rate, and deducted from net operating income. Capital expenditures and development costs are then deducted. The resale is calculated by dividing the cap rate into this value.

\[
\frac{\text{Total Discounted Leasing Cost}}{\text{Number of Years of Analysis}} = \text{Average Leasing Cost} \\
\text{Net Operating Income} - \frac{\text{Inflated Average Leasing Cost}}{\text{Capital Expenditures & Dev. Costs}} = \text{Value Used for Resale Calculation} \\
\frac{\text{Value Used for Resale Calculation}}{\text{Cap Rate}} = \text{Resale Value}
\]

This method includes all revenue and reimbursable and non-reimbursable operating expenses. It also includes a deduction for capital expenditures and development costs. By subtracting the average leasing cost from the resale calculation, the property value is not penalized due to a high number of rollovers in the resale year. This method does not include a deduction for debt service.

When you select this method, the Cap Rate field will be activated. This field is described in the Cap Rate and Growth Rate section later in this chapter.

Capitalize Net Operating Income using a Cap Rate Adjusted for Effective Property Age

This method requires that you enter information about building's condition. When you finish, ARGUS will modify the cap rate to reflect the condition of the building upon resale. This method produces a special version of the Property Resale report.

This method is based on the article "Terminal Capitalization Rates and Reasonableness" written by D. Richard Wincott, MAI and published in the April 1991 issue of The Appraisal Journal. The formulas used by ARGUS are provided in this article. The "standard industry tables" referenced below are published by the Marshall Valuation Service.
When you select this method, the Adjust button becomes available. Choose this button and the Cap Rate Adjustment for Property Age window will be displayed. ARGUS will calculate the modified cap rate based on your input.

Stabilized Market Vacancy Rate
Enter the single average market vacancy for the entire holding period. This vacancy rate may be different from the one entered on the General Vacancy window. This rate will modify the resale year net operating income prior to capitalization. By using this resale method, the resale year net operating income will automatically be adjusted to stabilized occupancy prior to capitalization.

Current Overall Capitalization Rate
This is the going-in capitalization rate. Enter the cap rate that will be used if the property is sold in the first fiscal year of the analysis. Adjust this rate upward to reflect the lower value of an older building. The adjustment amount depends on the entries in the fields below.

Typical Economic Life Expectancy
This is the age that the property will be when it loses its economic value. Enter the number of years equal to or greater than 1, but less than or equal to 200.

Current Effective Age
This value must be less than the typical economic life expectancy. Enter the current age of this property as a number between 0 and 199. Your entry must be at least one year less than the figure entered in the Typical Economic Life Expectancy field.

Current Physical Deterioration Incurable
Referenced from standard industry tables, enter the percentage of the property's total incurable deterioration that is applicable as of the first fiscal year of the analysis.
Future Physical Deterioration Incurable
Referenced from standard industry tables, enter the percentage of the property's total deterioration incurable that will be applicable as of the CAP year of the analysis.

Total Potential Physical Deterioration Incurable
Referenced from standard industry tables, enter the percentage of the property's total, or maximum, deterioration incurable, as of the last year of the property's economic life.

Land To Building Value Ratio
Enter the percentage of the total value of this property that is represented by the land value. This value must be between 0 and 100.

When all fields are filled, ARGUS calculates the following values and displays them near the bottom of the window:
- Land Capitalization Rate
- Building Capitalization Rate
- Terminal Capitalization Rate

ARGUS does not use the land and building capitalization rates for any calculations, but they are displayed here for you to check for input errors and validate your results.

If you change any values on this window, the capitalization rates will be immediately recalculated. When you exit the window, the Property Purchase and Resale Window will reappear with the terminal capitalization rate automatically entered in the Cap Rate field.

The No option in the Calculate Resale for All Years field will automatically be selected. Because this calculation of the cap rate is based on values derived from tables representing only one future year, not all years, resale calculation for all years is not permitted when using this resale method.

Grossed Up to Stabilized Market Vacancy
This option, which grosses up expenses, is similar to the Cap NOI using Rate Adjusted for Age option described above. However, instead of using the Adjust button to access the Cap Rate Adjustment window, with this option you enter the stabilized market vacancy rate and cap rate on the Property Purchase & Resale window.

See the Resale Cap Rate Matrix section in this chapter for information on exit cap rates.

Stabilized Market Vacancy Rate
The stabilized market vacancy rate is the single average market vacancy for the entire holding period. This vacancy rate may be different from the value entered on the General Vacancy window. It will modify the resale year net operating income prior to capitalization. By using this resale method, the resale year net operating income will automatically be adjusted to stabilized occupancy prior to capitalization.
Capitalization Method

This option allows users of the international version of ARGUS to perform property valuations using the market rent capitalization method. If you choose this method, you must choose the Adjust button and specify whether you wish to use the Gross (Market rent includes additional revenues) method or the Net (Market rent does not include additional revenues) method.

If you select this option, the Adjustment to Value field becomes available. You can use this field to enter the first adjustment in the Adjustments and Allowances section on the Resale report.

Enter the rates you wish to use (as percentages). You must enter both a capitalization rate and a discount rate in the Global Rates section. Note that if you selected Gross as the method, the last three rows in the Capitalization Rate Overrides section will be disabled. With the exception of Months Vacant, enter rates in the Discount Rate Overrides section as negative expenditures. If you leave any blank fields in the Capitalization Rate Overrides section, then ARGUS will use the entries in the Global Rates section.

**Note:** If you select this method in a file that is included in a portfolio, then you must select the same method in all other files in that portfolio.

**Reporting**

Reporting for this feature is available on the Prospective Resale and IRR Summary report in the Property Level reports. The report will include a sub-title of either Net Method or Gross Method depending on the method you selected on the Capitalization/Discount Rates window.

**Note:** This option is only available in the international version of ARGUS. For more information about the international version, contact your ARGUS sales representative.
Reversion Calculation Method and Report

By using the Cap Rate Adjustment for Property Age window or the *Grossed up to stabilized market vacancy* option, a modified reversion calculation will be printed. When you select the **Prospective Resale & IRR Summary** on the Property Level Reports window, an extended resale report is provided.

1. ARGUS will take all vacant space in the resale year, consisting of space on the Space Absorption window or months between leases, and assume that it is leased at the then applicable market rate, as defined in the Market Leasing Assumption category assigned to that space. ARGUS then calculates a fully occupied gross potential revenue.

2. The stabilized market vacancy rate entered on the Cap Rate Adjusted for Property Age sub-window (or the Property Purchase and Resale window if you selected the *Grossed up to stabilized market vacancy* option) is applied and subtracted from to calculate a new effective gross revenue.

3. The reimbursable and non-reimbursable operating expenses are grossed up to 100%. If any expense is entered with a percent fixed amount of less than 100, the expense will be grossed up to reflect full occupancy. The operating expenses are then subtracted from the adjusted effective gross revenue to arrive at an adjusted net operating income.

4. Net operating income is then capitalized using the terminal capitalization rate as calculated from the Cap Rate Adjustment window to arrive at a value.

5. If the absorption and turnover vacancy in the resale year is greater than the stabilized market vacancy, a direct deduction of that difference is taken. If the absorption and turnover vacancy is less than the stabilized market vacancy, no deduction is taken.

6. Tenant improvements and leasing commissions that occur in the resale year are also directly deducted from the indicated value to get an estimated sales price.

7. Sales commissions are deducted to arrive at net sales proceeds, which is then rounded to the third digit from the left and is presented as the reversion estimate.

If you want to use the modified resale calculation option, but not an adjusted cap rate, you may adjust the values on the Cap Rate Adjustment for Property Age window so that the calculated *terminal capitalization rate* at the bottom of the window is equal to the current *overall capitalization rate* at the top of the window.

See Cap Rate Adjustment for Property Age at the end of this chapter for more information.

**Cap and Growth Rate**

If you select any of the following resale methods, the **Cap Rate** field is required:

- Capitalize Net Operating Income
- CAP Cash Flow After TIs & LCs
- CAP CF Adjusted for Average TIs & LCs
- Grossed up to Stabilized Mkt Vacancy

If you selected any of the above resale methods, enter the terminal, or going out cap rate, by which the line item of income, selected by the resale method, will be capitalized. This will determine the resale amount.
This field will be unavailable if you select No Resale Calculation. If you select CAP NOI using Rate adjusted for age, ARGUS will automatically calculate the value for this field. If you select Appreciate Purchase Price, the Cap Rate field name will be changed to Growth Rate and you must enter the appreciation, or growth rate, by which the initial purchase price should grow to determine the amount for which the property will be sold.

**Cap Rate Detail**

If you select any of the following resale methods, you may enter varying cap rates for your own Unit and Tenant Groups as well as for expenses, capital costs, and other revenues.

- Capitalize Net Operating Income
- CAP Cash Flow After TIs (or PCs) & LCs
- CAP CF Adjusted for Average TIs (PCs) & LCs

**Note:** This feature is available in office, retail, industrial, apartment, and assisted living properties.

To enter cap rate detail, choose **Detail** while the **Cap Rate** field is active.

### Based on

Choose one of the following groups on which you wish to base calculations:

- Tenant Groups (office, retail, and industrial properties)
- Unit Groups (apartment and assisted living properties)
- Industry Groups
- User-Defined Groups

### Available Groups

Highlight the group or groups you wish to include and choose **Include**. You may also double-click on groups to include them. To create or edit groups, click your mouse within the Available Groups box (or press TAB to activate the box) and then choose **Detail**. The Tenant Groups category window will be displayed. For more information about working with Tenant Groups, see *Chapter 14*. To remove groups from the Included Groups section of the window, highlight the group and choose **Exclude**.

### Cap Rate

Enter the cap rates for the corresponding expenses and groups.
Resale Commission as Percent Of Resale Price

Commissions will be deducted from the gross proceeds from sale. Debt retirement and penalties will also be deducted from the gross proceeds from sale. The remaining amount from the sale is used to calculate the present value of the property resale. Enter the percentage of gross resale cost to be deducted for commissions.

Example

With $1,000,000 as the gross proceeds from resale, the entries below will produce commissions of $50,000.

Gross Proceeds from Resale  $1,000,000

Example

This example shows the effect of a 10% growth rate on a 4-year analysis.

\[ \text{Inflation Factor} = (1 + \text{Growth Rate})^N = (1 + 0.10)^5 \]

\[ \text{Initial Purchase Price} \times \text{Inflation Factor} = 1,610,510 \]

\[ \text{Resale Amount} \]

N = Number of Years before Resale = 5

(Rounded up to non-decimal number of years)

If the first year has only one month, the initial purchase price will still grow by the full growth rate.

The following examples use the cash flow from the 5-year analysis shown below. The 6th year would be calculated and used if the resale calculation was based on the following year's cash flow. Leasing costs are the sum of tenant improvements and leasing commissions.

<table>
<thead>
<tr>
<th>Year</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Operating Income</td>
<td>100,000</td>
<td>110,000</td>
<td>120,000</td>
<td>130,000</td>
<td>140,000</td>
</tr>
<tr>
<td>Leasing Cost</td>
<td>10,000</td>
<td>15,000</td>
<td>15,000</td>
<td>20,000</td>
<td>40,000</td>
</tr>
</tbody>
</table>

The resale calculations will be shown for year 5 only.
Example
This example uses the Capitalize Net Operating Income option.

\[
\begin{align*}
\text{Net Operating Income} &= 140,000 \\
\text{÷ Cap Rate} &= .10 \\
\text{Resale Value} &= 1,400,000
\end{align*}
\]

Example
This example uses the Capitalize Net Operating Income option.

\[
\begin{align*}
\text{Net Operating Income} &= 150,000 \\
\text{÷ Cap Rate} &= .10 \\
\text{Resale Value} &= 1,500,000
\end{align*}
\]

The net operating income is from year 6. If resale is based on the year following resale, the cash flow will print that year. In this example, the analysis was 5 years long, with the 6th year added for the resale calculation.

Example
This example uses the Capitalize Cash Flows after TIs and LCs option.

\[
\begin{align*}
\text{Net Operating Income} &= 140,000 \\
\text{Leasing Costs} &= 40,000 \\
\text{Capital Expenditures & Reserves} &= 0 \\
\text{Value Used for Resale Calculation} &= 100,000 \\
\text{÷ Cap Rate} &= .10 \\
\text{Resale Value} &= 1,000,000
\end{align*}
\]
Example
This example uses the *Capitalize Cash Flows Adjusted for Average TIs and LCs* option. The average discounted leasing costs are calculated by discounting the leasing cost back to the first year of the analysis, dividing by the number of years, and inflating by the inflation rate back to the resale year. The inflation rate is 5% in this example.

\[
\text{Present Value of Leasing Cost} = \frac{\text{Leasing Cost}}{(1 + \text{inflation rate})^N}
\]

\(N = \text{Number of Years}\)

Total Present Value of Leasing Cost

\[
\begin{align*}
&= 10,000 + 15,000 + 15,000 + 20,000 + 40,000 \\
&= 10,000 + 14,285 + 13,605 + 17,276 + 32,908 \\
&= 88,075
\end{align*}
\]

\[
\text{Average Discounted Leasing Cost} = \frac{88,075}{5} = 17,615
\]

\[
\text{Net Operating Income} = 140,000
\]

\[
\text{- Inflated Average Leasing Cost} = 21,411
\]

\[
\text{- Capital Expenditures & Reserves} = 0
\]

\[
\text{Value Used for Resale Calculation} = 118,589
\]

\[
\text{Value Used for Resale Calculation} = 118,589
\]

\[
\text{Resale Value} = \frac{118,589}{.10} = 1,185,890
\]
Example
This example uses the Capitalized Cash Flows Adjusted for Average TIs and LCs option.

\[
\text{Present Value of Leasing Cost} = \frac{\text{Leasing Cost}}{(1 + \text{inflation rate})^N}
\]

\[N = \text{Number of Years}\]

Total Present Value of Leasing Cost

\[= 10,000 + 14,285 + 13,605 + 17,276 + 32,908 + 47,011\]

\[= 135,087\]

\[
\text{Average Discounted Leasing Cost} = \frac{135,087}{6} = 22,514
\]

\[
\text{Net Operating Income} = 150,000
\]

\[
- \text{Inflated Average Leasing Cost} = 28,734
\]

\[
- \text{Capital Expenditures & Reserves} = 0
\]

\[= \text{Value Used for Resale Calculation} = 121,265\]

\[
\text{Value Used for Resale Calculation} = \frac{121,265}{.10} = 1,212,650
\]

Resale method adjusting for effective property age is calculated using the same formula as capitalize net operation income.

**Apply Rate to Following Year Income**

This option determines the year of income from which the resale is calculated. Resale is always calculated at the end of the year. The resale value may be determined by the following year’s income, instead of the resale year income.

If you select this option, ARGUS capitalizes the income of the year following the resale year. In a 10-year analysis, ARGUS calculates the 11th year income and uses that year to determine the year-10 resale value. In addition, ARGUS calculates and prints an extra year of the analysis on the Prospective Cash Flow Report.

If you do not select this option, ARGUS determines the resale value by capitalizing the income of the resale year. In a 10-year analysis, ARGUS capitalizes the 10th year income to determine the resale value for the 10th year.
Calculate Resale for All Years
If you select this option, ARGUS will project a resale value of the property for each year of the analysis. In addition, the Prospective Resale & IRR Summary will show the resale value for each year, as well as the Internal Rate of Return, based on the respective resale value if a purchase price was entered. Only positive internal rates of return (IRRs) and modified internal rates of return (MIRRs) will be displayed on ARGUS reports.

To project only one resale value at the end of the analysis, do not select this option.

Resale Cap Rate Matrix
Choose the Matrix button to enter exit cap rates.

Enter a low and high cap rate, and the number of incremental rates. This allows you to produce a report with the resale value and present value for all cap rates. You can select the report as an option for the Prospective Present Value Summary.

Internal Rate of Return (IRR)
The IRR button allows you to include development costs, capital costs, tenant improvements, leasing commissions, and debt interest as part of the initial investment in the calculation of IRR. You may elect to calculate IRR at the analysis start date, or for a date of your choosing. This feature is available in all property types other than portfolios. Portfolios will be unaffected by the use of this feature in component properties. Note that if you elect to use this option, you will not be able to enter a detailed purchase price.
To calculate development IRR, choose the IRR button.

Select the cost components you wish to include in the initial investment for the calculation of IRR. You may choose to include any or all of the following costs in the initial investment:

- Land/Acquisition Costs
- Hard/Construction Costs
- Soft/Development Costs
- Capital Expenditures
- Tenant Improvements
- Leasing Commissions
- Interest Carry (accrued, unpaid interest)
- Property Purchase Price

**Use Costs up to this date**
Enter either a fixed date (MM/YY) or a date relative to the analysis start date through which costs should be included in the initial investment for the calculation of IRR. Note that you cannot use dates occurring either before the analysis start date or after the analysis end date.

**IRR Calculation Method**
Choose one of the IRR calculation methods below. The selection in the Discount Method field on the Present Value discounting window will determine whether IRR is calculated annually, monthly, or quarterly.

- **Calculate IRR at selected date using costs up to selected date**
  This option allows you to use the selected costs to calculate the IRR as of the date entered in the previous field.

- **Unleveraged IRR**: When calculating unleveraged IRR, the total selected capital items will be used as the initial investment. The cash flow before debt service from the month after the specified date to the end of the analysis and the net proceeds from resale are used as the incoming cash flow.

- **Leveraged IRR**: When calculating leveraged IRR, the total selected capital items up to the specified date minus debt funding up to that date will be used as the initial investment. The cash flow after debt service from the month after the specified date to the end of the analysis and the net cash flow from resale are used as the incoming cash flow.
Calculate IRR at start of the analysis using costs up to selected date
This option allows you to use the selected costs to calculate the IRR as of the start of the analysis.

- **Unleveraged IRR**: When calculating unleveraged IRR, the total selected costs up to the specified date will be used as the initial investment. The IRR calculation will put the initial investment in month zero. The cash flow before debt service (not factoring selected costs from month 1 up to the specified date) and the net proceeds from the start of the analysis are used as the incoming cash flow.

- **Leveraged IRR**: When calculating leveraged IRR, the total selected costs up to the specified date minus debt funding up to that date will be used as the initial investment. The IRR calculation will put the initial investment in month zero. The cash flow after debt service (not factoring selected costs from month 1 up to the specified date) and the net cash flow from resale at the start of the analysis are used as the incoming cash flow.

**Note**: If you use this option in Unit Sales properties, the Select month 1 land costs from cash flows option will be unavailable.

**Modified Internal Rate of Return**
The modified internal rate of return is an alternative method of calculation that in some circumstances may provide you with a more accurate reflection than the internal rate of return.

The calculation of this rate requires that you enter a reinvestment rate and a safe rate. This rate will be reported beneath the internal rate of return, for unleveraged and leveraged cash flows.

When you finish, choose **OK** to return to the Property Purchase & Resale window.
CHAPTER 18

Debt Financing

The Debt Financing windows are where you define the debt structure for the property. You can change the priority of notes by changing the corresponding number in the Level field on the Debt Financing category window.

The Debt Financing Window
To access the Debt Financing window, choose Debt Financing from the Yield menu, and then choose New on the Debt Financing category window.

Note Name
Enter a note name of up to thirty characters. You may use letters, numbers, and symbols. This is a required field. The name will appear on Individual Loan and Debt Service Summary reports. It does not appear on the Summary of Cash Flow from Operations.

Start Date
The entry in the Start Date field determines the calculation of most note results. If you use a date other than the analysis start date, base the entries in the remaining fields on the date you enter, rather than the analysis start date. If you leave this field blank, base all remaining fields on the analysis start date. You can enter the start date using the following methods:

- **Fixed Date**: Enter the month and year (MM/YY) in which the note begins. You do not need to enter a leading zero for one-digit months.

- **Relative Date**: Enter the number of months from the analysis start date until the note is to begin. The note will start at the beginning of the month specified.
Amortize Start
This option allows you to specify whether a note is to be amortizing, or interest-only. You may switch notes from interest-only to amortizing at any date in the future. If you leave this option selected, amortization can begin at the start of the note or at some point in the future, depending on the entry in the Amortization Start field to the right of the Amortize Start check box.

If you clear the Amortize Start check box, ARGUS will override the entry of a payment or constant in the Term or Date field and create an interest-only note that remains interest-only for the entire length of the note.

For notes amortizing from the start, this option should be selected and the field to the right should be blank. For notes that begin amortizing in the future, the option should be selected and the date on which amortization begins should be entered in the field to the right of the Amortize Start check box. If you leave this field blank, notes will amortize from the start. You can enter the amortize start date using the following methods:

- **Fixed Date:** Enter the month and year in which the amortization is to begin. Enter the month first and separate it from the year with a forward slash (/).

- **Relative Date:** Enter the number of months from the note start date until the amortization is to begin. For example, if you enter 13 in this field, amortization will start at the beginning of the thirteenth month.

Note Length
The Note Length drop-down list is not labeled. It appears directly below the Amortize Start check box. The selection you make from this list defines the information you enter in the blank field to the right. Use one of the methods below to specify the note length.

**Term Length**
If you select Term Length, you need to enter the number of years the note will last. With this selection, you can enter whole numbers between 1 and 200, but no fractional years. If the note has an interest only period before amortization, the term length does not include the period when the note is interest only.

When the Amortize Start check box is selected, ARGUS calculates a payment that results in the note's principal being reduced to zero by the final month of the last year of the note. A change in interest rates, or a change in the principal balance due to means other than the standard monthly payment, causes ARGUS to recalculate the monthly payment amounts. These changes do not affect the length of the note. The note ends when the term ends, the property is sold, or on the balloon date.

If the Amortize Start check box is not selected, the interest rates and principal balance determine the monthly payment amount. The note ends when the property is sold or on the balloon date.

**Maturity Date**
If you select Maturity Date, you need to enter the month and year the note ends in the field to the right. Separate the month from the year with a forward slash (/). The date you enter must be after the note start date and the amortize start date.

If the Amortize Start check box is selected, ARGUS calculates a payment that results in the note's principal being reduced to zero by the maturity date. If the Amortize Start check box is not selected, the interest rates and principal balance determine the monthly payment amount. The note ends on the maturity date, on the balloon date, or at the end of the analysis.
Payment

If you select Payment, you must enter the note payment amount. You can use the abbreviations K for thousands and M for millions. The payment amount will be applied each month. For a note with a payment frequency that is less than 12 (entered on the Advanced Debt window), the amount you enter will be used for each payment.

For a note with six payments per year, the payment is paid to the lender six times per year. Changes in interest rates and the principal amount do not affect the payment amount. The amount paid is divided among interest payments and principal reductions. If the note has a positive balance upon the end of the analysis, it balloons and the final principal amount is paid.

Calculation of interest payments and principal reductions:

\[
\text{Payment Amount} - \text{Interest Payments} = \text{Principal Payment}
\]

If the Amortize Start option is not selected, the payment amount will be overridden. The interest rate applied to the principal balance determines the payment amount.

Example

The example below shows a monthly payment of $833, resulting in a yearly payment of $10,000. In the first month of the analysis, the interest payment is $417, and the principal reduction is $416. Principal reductions continue until the end of the analysis, or until the balance of the note is zero.

Example

The example below shows a monthly payment of $833, resulting in a yearly payment of $10,000. In the first month of the analysis, the interest payment is $1,667, and the principal reduction is a negative $834 ($833 - 1,667). The principal amount continues to increase until the end of the analysis, when it balloons, and the final principal amount is paid off.
**Loan Constant**

If you select *Loan Constant*, you need to enter the percentage of the original principal balance to pay to the lender each year. Your entries can be numbers between 1 and 100, or less than one (5 or .05 = 5%). ARGUS calculates the loan constant amount (yearly payment amount) by multiplying the loan constant by the original principal balance.

Calculation of the loan constant amount:

\[
\text{Original Principal Balance} \times \text{Loan Constant} \quad = \quad \text{Loan Constant Amount}
\]

The amount paid is divided among interest payments and principal reductions.

Calculation of interest payments and principal reductions:

\[
\text{Loan Constant Amount} - \text{Interest Payments} \quad = \quad \text{Principal Reductions}
\]

If the note has a positive balance upon the end of the analysis, it is ballooned and the final principal is paid off. It is possible to have negative principal payments. Negative principal payments increase the principal balance, but do not change the loan constant amount. If the *Amortize Start* check box is not selected, ARGUS will override the loan constant amount. The interest will be paid whether the interest is higher or lower than the loan constant amount.

**Principal Payment**

If you select *Principal Payment*, you need to enter the principal payment for each period of the note. The period is monthly unless you use the *Advanced* button to select a different period. The interest is calculated each period based upon the note's current principal balance. The debt service changes every period as the interest varies with the changing principal.

**Note Type and Amount**

The *Note Type* field, which is not labeled, appears directly above the *Rate Charged* field. The selection you make determines the information you enter in the blank field to the right (the *Amount* field). This is a required field. Depending on your selection, you can make either a direct or a detailed entry. You may use the abbreviations K for thousands and M for millions.

The drop-down list in this field allows you to select one of the following methods for determining the amount of the note. The first two methods allow for detailed entries, called multiple fundings. To enter a detailed amount, choose *Detail* while the field is active.

Select one of the note types below and enter the corresponding information.

**Amount**

If you select this option, ARGUS interprets the entry in the *Amount* field as the amount of the note. If the note is to include multiple fundings, choose *Detail* while the field is active.

When using an amount in an additional or detailed funding, the principal balance of the note increases by the amount you enter. This increase occurs at the beginning of the month in which the new amount takes effect.
Coverage Ratio

If you select this option, ARGUS calculates the amount of the note based on the available cash flow. The calculation uses twelve months, beginning with the funding month. The available cash flow is the total revenue after costs less the total minimum debt service of senior notes. You can change the seniority of notes on the Debt Financing category window.

You can only select Coverage Ratio if your entry in the Note Length field was Term Length or Maturity Date.

\[
\text{Available Cash Flow} = \frac{\text{Total Revenue After Costs} - \text{Total Minimum Debt Service of Senior Notes}}{\text{Coverage Ratio}}
\]

ARGUS calculates the available cash flow for the eleven months following the funding date, and the month of the funding. ARGUS then divides the available cash flow by the coverage ratio to determine the total minimum debt service of the note.

ARGUS uses the total minimum debt service of the note, with the length of the note and the interest rate, to determine the amount of the note.

Detailed fundings using coverage ratios will calculate the maximum amount of total minimum debt service for the 12-month period beginning with the specified date. If this amount is greater than the current total minimum debt service, the balance of the note increases. If it is less than the current total minimum debt service, there is no change in the balance of the note.

It is possible to enter the same coverage ratio in consecutive Amount fields. This recalculates the note based upon twelve consecutive months of cash flow, beginning with the month entered in the Date field. If the cash flow of the property is increasing, this causes the note's principal balance to increase. If the cash flow of the property is decreasing, there is no effect on the principal balance.

Percent of Price or PV

If you select this option, ARGUS bases the loan amount on a percentage of the current value of the property. The current value of the property is determined one of two ways. Generally, the property value depends on the entry in the Initial Purchase Price field on the Property Purchase Price window.

If there is no entry in the Initial Purchase Price field, the current value of the property is determined as the lowest present value. ARGUS determines this amount based on the entries made on the Present Value Discounting window. If the purchase price is zero, and there are no entries for the present value, the note amount is zero. Enter the amount as a number between 1 and 100 or less than one (5 or .05 = 5%). You cannot use this method for detailed funding.
**Prior Balloon**
This option allows you to specify that ARGUS should fund the amount of a ballooning note or notes.

- To fund a single note, choose *Prior Balloon* and then choose the name of the note from the drop-down list in the field to the right. The note will begin in the month following the balloon.

- To fund more than one note, choose *Multiple Notes* from the drop-down list in the field to the right. On the Balloon Selection window, you may choose the notes you wish to include in the funding. You can select the notes using the following methods:
  
  Click on a note.
  Click and drag across several contiguous notes.
  Hold down the CTRL key and click on notes that are not contiguous.
  Hold down the SHIFT key and use the arrow keys to select contiguous notes.

  Once you have selected the notes, choose the *Include* button to move them to the Included Notes area. Also, you can double-click notes to move them to the Included Notes area.

  If you select notes with different retirement dates, the prior balloon will be initiated at the earliest date, with any subsequent balloons being added to the note in the same manner that is used for additional fundings (see below).

**Percent of Line**
This option allows you to base the principal balance of the debt on another line in the analysis. The balance will change as the basis for the percent of line changes. If you select this option, the adjacent field is unavailable. Payments are restricted to twelve per year on the Advanced window when you select this option.

For more information on Percent of Line entries, see Chapter 5, *Revenue and Expense Windows*. Enter the appropriate percentage or percentages in the corresponding line or lines. This allows you to specify that a loan is to cover a portion of a continuing expense over a specific period.

**Detailed Additional Fundings**
You can define multiple fundings by using the detailed method of entry. To enter detailed fundings, choose *Detail* while the *Amount* field is active. You cannot enter negative amounts on the Additional Funding window. Additional principal reductions should be entered in the *Other Payments* field on the Advanced Debt window.

**Date**
The Additional Funding window requires you to enter the date and amount of each funding. The note does not begin until the first date is reached. You may enter the month and year in which the new funding is to begin, or you may enter the number of months from the note start date until the additional funding is to begin. You cannot mix fixed and relative dates.

**Amount**
Enter the funding amount as a currency amount or as a coverage ratio. You cannot enter a percent of value for the amount, and you cannot mix currency amounts and coverage ratios.
Example
In the example below, the funding amount becomes a smaller portion of the cash flow each year. The note changes only if the new funding is greater than the previous funding. The principal balance never decreases due to entries on the Additional Funding window.

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.0</td>
</tr>
<tr>
<td>13</td>
<td>1.2</td>
</tr>
<tr>
<td>25</td>
<td>1.3</td>
</tr>
<tr>
<td>37</td>
<td>1.4</td>
</tr>
<tr>
<td>43</td>
<td>1.5</td>
</tr>
<tr>
<td>51</td>
<td>1.6</td>
</tr>
<tr>
<td>73</td>
<td>1.7</td>
</tr>
<tr>
<td>85</td>
<td>1.8</td>
</tr>
<tr>
<td>97</td>
<td>1.9</td>
</tr>
<tr>
<td>108</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Rate Charged
This field is where you specify the interest rate of the note. The rate charged and rate paid are the same on the Debt Financing window. If you want to enter different rates, you can use the Advanced button to access a window where you can enter a different rate paid. Enter the annual rate charged as a number greater than or less than one (12 or .12 = 12%). If the rate will change during the note, use the detailed entry method to enter the changing rates.

Rate Charged Detail
To enter detailed rates, choose Detail while the Rate Charged field is active. The Detailed Rate Charged window allows you to enter varying interest rates and the dates on which those rates take effect. The interest rate may not exceed 100%. The note will incur no interest until the first date is reached. Rate changes during the period that the note is interest-only, affect the amount of interest paid; the length of the note does not change. When a note is defined with a loan constant or currency payment, a rate change does not change the total minimum debt service. A rate change affects the amount of scheduled interest and principal payments.

Based On
If you wish to base interest rates on a global Interest Rate category, you may choose one in this field. The following preset categories are available and are updated by ARGUS through your Internet connection:

- 1-month LIBOR
- 10-year Treasury

You may also base interest rates on a user-defined Interest Rate category. For more information on global Interest Rate categories, see Chapter 30, Global Categories.

If you base interest rates on an Interest Rate category, the label on the Rate field changes to Percent Added. Use this field to enter the percentages by which the interest rates should be adjusted from the global Interest Rate category. Once you have entered dates and percentages, you may use the Result button to view the calculated results of the adjustments.

Date
If the first date precedes the note start date, ARGUS uses the corresponding rate as of the note start date. If more than one date and corresponding rate precedes the note start date, ARGUS uses only the last rate preceding the note start date as the beginning rate on the note. Enter the month and year in which the rate is to begin, or enter the number of months from the note start date until the rate is to begin.
Percent
Enter the interest rate that is to take effect on the corresponding date. ARGUS accepts rates entered as numbers greater than or less than one (12 or .12 = 12%).

Early Funding
This checkbox allows you to specify that funding from prior balloon notes will impact the analysis one month before the note start date. If you do not select this checkbox, equity to retire the previous note will not be available until the month after the note balloons. For example, if you do not select this checkbox, ARGUS will report the balloon amount as a Required Equity Contribution on the Sources and Uses report, with a corresponding amount in the Cash Available for Distribution line for the following month.

Advanced Features
To add advanced features to a note, choose the Advanced button. You must enter the required information on the Debt Financing window before you can access the Advanced Debt window.

Rate Paid
The annual interest rate that the borrower pays on the note is entered on the Debt Financing window. The rate charged on the note and the rate paid can be different only during the interest-only (no amortization) period of the note. If you selected amortization on the Debt Financing window and left the Amortize Start field blank, the Rate Paid field on the Advanced Debt window is unavailable.

Detailed Rate Paid
The Detailed Rate Paid window allows you to enter varying rates. Changes to the note caused by differing rates affect the note in the month specified. A rate change during a period in which the note is not interest-only (amortizing) does not affect the note.
Based On
To base interest rates on a global Interest Rate category, choose one from the drop-down list in this field. The following preset categories are available and are updated by ARGUS through your Internet connection:

- 1-month LIBOR
- 10-year Treasury

You may also base interest rates on a user-defined Interest Rate category. For more information on Interest Rate categories, see Chapter 30, Global Categories. If you base interest rates on an Interest Rate category, the label on the Rate field changes to Percent Added. Use this field to enter the percentages by which the interest rates should be adjusted from the category.

Once you have entered dates and percentages, you may use the Result button to view the calculated results of the adjustments.

Date
Enter either the month and year in which the rate begins, or enter the number of months from the note start date until the rate begins. No interest is paid until the first date is reached.

Rate
Enter the interest rate that is to take effect on the corresponding date. ARGUS accepts rates entered as numbers greater that or less than one (12 or .12 = 12%).

Rate on Accrual
The Rate on Accrual field is where you specify the annual interest rate that the borrower pays on accrued interest. Interest accrual is only calculated for the period in which the note is interest-only (no amortization) and the rate paid is less than the rate charged. The difference between the rate paid and the rate charged is accrued. If you select amortization and leave the Amortize Start field blank, or if you leave the Rate Paid field blank, the Rate on Accrual field is unavailable.

If you leave the Rate on Accrual field blank, ARGUS uses the entry in the Rate Charged field to calculate the interest charge on the sum of accrued interest. If the rate changes during the note, choose Detail while the field is active, and enter the changing rates on the Detailed Rate on Accrual window.

Detailed Rate on Accrual
The Detailed Rate on Accrual window allows you to varying rate changes. Rate changes affect the note at the beginning of the month specified. A rate change during a period in which a note is amortizing does not affect the note.

Based On
If you wish to base interest rates on a global Interest Rate category, you may choose one in this field. The following preset categories are available and are updated by ARGUS through your Internet connection:

- 1-month LIBOR
- 10-year Treasury

You may also base interest rates on a user-defined Interest Rate category. For more information on global Interest Rate categories, see Chapter 30, Global Categories.

If you base interest rates on an Interest Rate category, the label on the Rate field changes to Percent Added. Use this field to enter the percentages by which the interest rates should be adjusted from the global Interest Rate category.
Once you have entered dates and percentages, you may use the **Result** button to view the calculated results of the adjustments.

**Date**
Enter the month and year in which the rate is to begin, or enter the number of months from the note start date until the rate is to begin. No interest will be paid until the first date is reached.

**Percent**
Enter the interest rate that is to take effect on the corresponding date. ARGUS accepts rates entered as numbers greater than or less than one (12 or .12 = 12%).

**Payments**
The payments section is where you specify the number of payments during each year, and whether those payments are to be delayed.

**Payments/Year**
Select the number of payments per year from the drop-down list in this field. You may specify that the number of payments per year will be twelve, six, or three. No other entries are allowed.

For notes beginning in January with no delay, payments occur in the months marked with an X in the table below. For notes not beginning in January, use the month number rather than the month name. Month 1 is the first month of the note.

**Payment Frequency**

<table>
<thead>
<tr>
<th>Month</th>
<th>12</th>
<th>6</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 February</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>3 March</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 April</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>5 May</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 June</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>7 July</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 August</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>9 September</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 October</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>11 November</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>12 December</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

The **Payments/Year**, **Delay**, and **Interest Calculation** fields control the calculation and reporting of interest. When the **Interest Calculation** field is set to *USA (end)*, the month's beginning principal balance is charged a full month of interest. Interest and principal payments occur at the end of the month and reduce the following month's beginning principal balance. You cannot use payment frequencies other than 12 if you enter detailed interest rates or other payments.

**Calculation**

If you enter a term or maturity date in the **Term or Date** field, and select **Amortize Start**, ARGUS calculates the necessary payment to reduce the note principal balance to zero in the required period. If you enter a payment or loan constant in the **Term or Date** field, ARGUS uses that amount for the payment.

The **Payment/Year** determines the length of the period. ARGUS calculates the interest for the period and subtracts the interest from the payment. The remaining payment reduces the principal balance. If the interest is greater than the payment, the principal balance increases.
Average Period Balance
\[ \times \] Average Period Interest Rate
\[ = \] Interest Amount Paid

Period Payment
- Interest Amount Paid
\[ = \] Principal Balance Change (+/-)

**Delay**
If you do not select this option, payments will be applied in the month they are due. If you select this option, payments will be delayed until the following month. Interest calculations will not change; only the reporting of amounts is affected.

**Interest Calculation**
Choose one of the following options from the drop-down list in the field.

- **USA (end):** If you select this option, ARGUS calculates interest over the period, with the payment occurring at the end of the period. This is the default.

  \[
  \text{Average Period Balance} \times \text{Average Period Interest Rate} = \text{Interest Amount Paid}
  \]

  \[
  \text{Period Payment} - \text{Interest Amount Paid} = \text{Principal Balance Change}
  \]

  The current period interest is calculated based on the current period's beginning principal balance, using the current period interest rate.

- **USA (beginning):** If you select this option, ARGUS applies one payment at the beginning of the first period before any interest is calculated. The entire payment reduces principal. Subsequent payments occur at the beginning of the period; the interest portion of the payment is for the previous period’s interest.

  \[
  \text{Average Previous Period Balance} \times \text{Average Previous Period Interest Rate} = \text{Interest Amount Paid}
  \]

  \[
  \text{Period Payment} - \text{Interest Amount Paid} = \text{Principal Balance Change}
  \]

  The first payment has no reduction for interest. The current period interest is calculated based on the previous period's ending principal balance, using the interest rate of the previous period. Notes in which you use this method must amortize from the note start date; there can be no interest-only period (Amortize Start check box must be cleared). If the note ends between payments, the last payment will occur at the start of the final period. This payment will be less than the usual payment.

- **Canadian:** This method compounds interest twice a year and applies payments monthly. The number of payments per year must be 12 to use this method.
Reduction from Cash Flow
This section of the window allows you to specify a portion of the cash flow to reduce the amount of accrued interest, the principal balance, and the debt balance on the note.

Reduce
Use this drop-down list to indicate whether you wish to use the reduction from the cash flow for accrued interest only, or for the balance of accrued interest and principal.

Using
Enter the percentage of the net operating income or cash flow to be applied to accrued interest and/or remaining principal. Leave this field blank to apply no portion of the cash flow to accrued interest or the principal balance. To enter detailed percentages, choose Detail while the field is active.

Percent (%) of
Use the drop-down list in this field to indicate whether to reduce net operating income minus principal and interest or cash flow after debt service. Payments will be added to the Additional Principal Payments or the Accrued Interest Reductions on the Cash Flow report. If you select this option in files with multiple debt notes, the most senior notes will have priority in calculating reductions.

Note: If you upgrade a file created in an older version of ARGUS, NOI Less P&I will automatically be selected in this field.

Other Payments
The Other Payments field allows you to enter additional principal reductions. To enter additional principal reductions, choose Detail while the field is active.

Date
Enter the month and year in which the additional payment is to occur, or enter the number of months from the note start date until the additional payment is to occur; do not mix fixed and relative dates. If you enter a date that precedes the start date, the payment will be ignored.

Amount
Enter the payment as a currency amount. You can use the abbreviations K for thousands and M for millions. The principal balance of the note will decrease by the entered amount in the same period as the payment. You cannot enter negative amounts; the note balance will never be less than zero.
**Prepay Penalty**

This field is where you enter any additional charges to be applied if the note is repaid before the maturity date. If the analysis ends before the maturity date, ARGUS ends the note and calculates the prepayment penalty if there is one. The **Delay** field does not affect the prepayment penalty. Notes ending on a call or balloon date do not have a prepayment penalty.

You can enter the prepayment penalty as a percentage of the remaining principal balance or as a total currency (dollar) amount. To enter a percentage, use a number less than or equal to 100, or less than one. To enter a currency amount, enter a number greater than 100. You can use the abbreviations K for thousands and M for millions.

<table>
<thead>
<tr>
<th>Prepay Penalty</th>
<th>Prepay Penalty</th>
<th>Prepay Penalty</th>
<th>Prepay Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>.05</td>
<td>5</td>
<td>25,000</td>
<td>25K</td>
</tr>
</tbody>
</table>

The examples on the left show percentages; those on the right show dollar amounts. For a note with a balance of $500,000, these entries will produce the same prepayment penalty amounts.

**Points and Fees**

The **Points and Fees** field is where you enter the origination cost of the note. The points and fees are deducted in the beginning of the first period of the note. If the note begins before the analysis, points and fees are not reported, as they do not occur during the analysis period. The **Delay** check box does not affect the points and fees.

Use the drop-down list to the right of the **Points and Fees** field to indicate whether ARGUS should calculate points and fees as a specific currency amount, a percentage of the initial principal balance, or a percentage of the maximum draw.

- **Percentage of Initial Principal Balance**: If you select this option, ARGUS will interpret the entry in the **Points and Fees** field as a percentage of the initial principal balance. The originating points and fees will be calculated by multiplying the entry in the **Points and Fees** field by the initial principal balance.

- **Percentage of Maximum Draw**: If you select this option, ARGUS will interpret the entry in the **Points and Fees** field as a percentage of the maximum draw amount. The originating points and fees will be calculated by multiplying the entry in the **Points and Fees** field by the entry in the **Maximum Draw** field.

**Note**: If you select **Percentage of Maximum Draw (% of Max. Draw)**, but do not enter an amount in the **Maximum Draw** field, no points and fees will be calculated.

- **Currency Amount**: If you select this option, ARGUS will interpret the entry in the **Points and Fees** field as a specific currency amount. This amount will be reported as entered.
Call or Balloon

An entry in the Call or Balloon field ends the note on the specified date. When the note ends due to the entry in this field, there are no prepayment penalties. The Delay field does not affect the call or balloon date. You can enter the call or balloon date by entering the month and year separated by a forward slash (/) or by entering the number of months from the note start date until the note is to end. The note will balloon in the month specified.

Maximum Draw

Use this field to enter the maximum amount to be financed. Funding will cease when the total funding, including interest draws, reaches this amount. If you use a debt note to fund an item on the Escrow Balance window and the note reaches its maximum draw, no further funds will be placed in escrow from debt.

Participation

Choose the More button to display the Participation window. This window allows you to base additional interest payments upon various cash flow components and the resale value. ARGUS refers to this additional interest as participation. The Participation window allows entries for participation on the cash flow and for participation on resale. ARGUS uses these entries in the same manner for both types of participation.
**Cash Flow: Contingent Interest or Participation on**
You may base participation on the cash flow components listed below. If there is no participation on the cash flow, select *Not On Cash Flow*. When you select this option, any entries made previously below this field will be deleted.

- **Effective Gross Revenue**: If you select this option, ARGUS bases participation on revenue less rent abatements, absorption and turnover vacancy, general vacancy, and collection loss.

- **Net Operating Income**: If you select this option, ARGUS bases participation on effective gross revenue less reimbursable and non-reimbursable operating expenses.

- **Cash Flow Before Debt**: If you select this option, ARGUS bases participation on net operating income less leasing and capital costs.

- **Cash Flow Less Accrual Payments**: If you select this option, ARGUS bases participation on cash flow before debt less any accrual payments.

**Property Sale: Contingent Interest or Participation on**
Participation may be based on the following components of the property resale:

- **Sale before Commissions**: If you select this option, ARGUS uses the full resale amount for the participation calculation. On the Prospective Property Resale report, this line is called Gross Proceeds from Sale.

- **Sale less Commissions**: If you select this option, ARGUS reduces the resale amount by the commission amount for the participation calculation. On the Prospective Property Resale report, this line is called Net Proceeds from Property Sale.

The participation from resale will be reported at the bottom of the Prospective Property Resale report in the Other Resale Contingencies section. The amount will be reflected by the Participation on Resale line.

**Percent**
The entry in the *Percent* field determines the amount of possible participation. An entry in this field is required.

**Start Date**
Enter the date that the participation is to begin. If you leave this field blank, the participation will begin when the note begins. You may enter a fixed date (MM/YY), or the number of months from the note start date until participation begins.

Participation will be calculated only from the start date to the end of the note and will be applied at the end of each month or analysis year, depending upon the selection in the Participation Timing section of the window. If the start date occurs in the middle of an analysis year, and you choose annual participation, the first participation amount will be based on the cash flow from the start date to the end of the analysis year. If the sale of the property occurs within the specified period, participation on resale will be deducted and not pro-rated.

**Above Base Amount**
This field allows you to exclude a portion of the cash flow or resale from the participation calculation. ARGUS will only use the portion of the cash flow or resale that exceeds your entry to calculate participation. Enter the amount as a currency amount. You may use the abbreviations K for thousands and M for millions. For annual participation timing, ARGUS will modify the base amount for periods that are less than a full 12 months.
Example
If the **Above Base** amount is $100,000, and the first year is 6 months long, with annual participation timing, the base amount used in the calculations will be $50,000.

**Subordinate**
This field allows you to reduce the note's participation calculation by its own debt service and/or senior notes' debt service and participation amounts. Select one of the following options from the drop-down list in the field.

- **None**: Select this option if the participation is not subordinated to other notes.
- **Itself**: Select this option if the calculation of participation is to be subordinated to its own debt service amount.
- **Senior**: Select this option if participation is to be subordinated to senior notes' debt service and participation. This selection also subordinates the note's own debt service amount.

**Guarantee Minimum**
This field is where you enter the minimum amount due. Leave this field blank if there is no minimum amount due. Enter the minimum as an annual currency amount. You may use the abbreviations K for thousands and M for millions. The minimum amount will always be paid.
With annual participation timing, payment will begin at the end of the first analysis year after the start date is reached. With monthly participation timing, monthly amounts will be applied instead. These amounts will not be subordinated.

**Ceiling Maximum**
This field is where you enter the maximum amount paid. If there is no limit to the amount paid, leave this field blank. Enter the maximum as an annual or monthly currency amount. You may use the abbreviations K for thousands and M for millions. The maximum amount will never be exceeded. This amount is not affected by subordination or other notes.

**End Date**
This field is where you specify when participation is to stop. Participation will automatically stop when the note ends. Leave this field blank if the participation does not end before the note.
You may enter a fixed date, or you may enter the number of months from the participation start date until the participation is to end.

**Reduce Principal with Cash Flow Participation**
Select this check box to reduce the principal of the note by the amount deducted from the cash flow.
If you select this option, participation will be reported as Additional Principal Payments on the Cash Flow report.

**Participation Timing**
These options allow you to calculate debt participation on a monthly or yearly basis. Select the option you wish to use. Note that **Annual** is the default option for new and upgraded files. These options are not available if you select **Not on Cash Flow** in the **Contingent Interest or Participation on** field.
CHAPTER 19

Present Value Analysis

The Present Value Discounting window in the latest version of ARGUS has been improved to make it easier to use and to allow more discounting flexibility.

You can still use the old Present Value window if you wish. To do so, choose Input from the Options menu, and then select the following check box on the Switches tab:

Though the new window will automatically be used in new files, the old window will be used in upgraded files. If you select or clear this option, any input already entered will be deleted. In this case, you will need to re-enter the information.

To access the Present Value Discounting window, choose Present Value Discounting from the Yield menu.

Discount Rates and Methods

The Discount Rates and Method tab is where you enter the primary discount rate and select the discount method.

Primary Discount Rate
Enter the primary discount rate to be applied to the cash flow.

Discount Rate Range: Number of Rates
Enter the number of rates. Odd numbers will be distributed evenly on either side of the primary rate. Even numbers will be automatically increased by one to include the primary rate.
**Discount Rate Range: Increment Between Rates**

Enter the incremental discount rate that determines the difference between each discount rate. For example, if the discount rate is 10, the number of rates is 5, and the increment between rates is 1, you have specified that rates 8, 9, 10, 11, and 12. If, instead, the increment was .5, you would have specified 9, 9.5, 10, 10.5, and 11.

**Discount Method**

Select the discount method. You may choose from the following methods:

- End-point on Cash Flow & Resale
- Mid-point on Cash Flow & Resale
- Mid-point on Cash Flow and End-point on Resale
- Quarterly
- Monthly
- Monthly in Advance (Resale in Arrears)

Each method is described in detail below. The name of the method you select will be printed at the top of all Prospective Present Value Summary reports.

**Annually (End-Point on Cash Flow and Resale)**

This method discounts all cash flows from the end of the year they are received to the analysis start date using the number of months left in the year. The cash flow for Year 1 will be discounted to the start of the analysis. A short first year is discounted by adjusting for the number of months in the first year. The resale proceeds are discounted back to the analysis start date from the end of the holding period.

**Annually (Mid-Point on Cash Flow and Resale)**

This method discounts all cash flows from the middle of the year received to the analysis start date. The cash flow for Year 1 will be discounted six months if the first year is a full 12 months. A short first year is discounted by adjusting for the number of months in that short year. The resale proceeds are discounted back to the analysis start date from the middle of the resale year.

**Annually (Mid-Point on CF/Endpoint on Resale)**

This method uses mid point discounting for the cash flow from the middle of the year received to the analysis start date. The cash flow for Year 1 will be discounted six months if the first year is a full 12 months. A short first year is discounted by adjusting for the number of months in that short year. The resale proceeds are discounted back to the analysis start date from the end of the holding period.

**Quarterly**

This method discounts all cash flows from the end of the quarter they are received to the analysis start date. The cash flow for Quarter 1 will be discounted one quarter, or three months, if the first quarter is not a partial quarter. A short first quarter is discounted by adjusting for the number of months in that short quarter. The resale proceeds are discounted back to the analysis start date from the end of the resale quarter.

**Monthly**

This method discounts all cash flows from the end of the month they are received to the analysis start date. The cash flow for Month 1 will be discounted one month. The resale proceeds are discounted back to the analysis start date from the end of the resale month.

**Monthly in Advance (Resale in Arrears)**

This method discounts cash flows as if they were received at the beginning of the month. If you elect to use this method, the first month is not discounted.
Present Value As Of

This tab allows you to determine the present value of the property at any point in the future. Entries here will not affect any of the standard present value or resale results. A new resale value and present value amount will be determined and reported on the Present Value As Of report. The Secondary Discount Period section is optional. Leave the Start Date field blank to bypass this section. This feature is not available in portfolio properties.

### Start Date

Enter the start date as month and year (MM/YY) or as the number of months from the start of the analysis. The start date of the Secondary Discount Period must be within the analysis discount period.

### End Date

The end date is determined by the entry in the Start Date and the Length fields. This field is informational and cannot be edited.

### Length

Enter the length of the secondary discount period as a number of years. Fractional years are not permitted. The length together with the length of the analysis discount period length cannot exceed 40 years.

### Reporting

There are five different styles of Prospective Present Value reports. The report style that will be printed or viewed from the Report menu can be selected from the Property Report Format Settings window.
Calculation Note
ARGUS does not adjust the discount rate for partial discounting periods. Instead, it adjusts the amount of time that is used to discount the future value. This can best be illustrated by using the following example. An annual rate of 12% is not the same as a 1% rate used every month of the year (12 times.) By adjusting the discount rate in this manner, the present value of the future cash flows is understated since there is no compounding. To account for this, ARGUS adjusts the period that is used to discount the future value, and an accurate present value is the result. The formula ARGUS uses is given below:

\[
P V = \frac{F V}{(1+d)^{\frac{m}{n}}} \]

PV = Present value of the cash flow
FV = Future value of the cash flow
d = Annual discount rate
m = Number of months in discounting period
n = Number of months in a year

Example
A 12% discount rate is being used to discount the cash flows from an 18-month analysis. The discount method is annual end-point. The first six months of the analysis produce a $10,000 cash flow; months 7 through 18 produce a $20,000 cash flow. The formula would be as follows:

\[
P V = \frac{10,000}{(1+.12)^{\frac{6}{12}}} + \frac{20,000}{(1+.12)^{\frac{18}{12}}} \]

\[
P V = 9,449 + 16,873 \]

\[
P V = 26,322 \]
The Advanced tab is where you can enter leveraged and unleveraged discount rates. The Cash Flow Rate field in the Unleveraged Discount Rates section displays the primary discount rate entered on the Discount Rates and Method tab. You must return to that tab to change the rate.

Note that on the Sources and Uses of Cash report the implied purchase price of the property will use the value derived from the primary rate instead of the highest discount rate. On the Property Summary report, the present value of the property will use the primary rate and not the highest discount rate.

NPV (Net Present Value) by Source
This feature allows you to specify different discount rates for different tenants in the Rent Roll. You may use tenant groups, industry groups, or user-defined groups. You may also enter a discount rate for speculative tenants and for the residual value of the property. This feature also includes a report type that shows the present value by source.

To use this feature you must create the industry, tenant, or user-defined groups you wish to use, and then select the NPV by Source option from the Yield menu.

The selection in the drop-down list in the Based On field determines which groups are listed in the Available Groups section on the left side of the window. You may choose to display tenant, industry, or user-defined groups.
To choose a group you can either double-click on it, or click the group and then choose Include. Once the selected group is listed in the Include Groups section on the right side of the window, you may enter a discount rate for the group in the corresponding Discount Rate field. This rate will be applied to all tenants assigned to the selected group on the More/Notes window accessed from the Rent Roll.

**Note:** If a tenant is included in more than one group of the same type, ARGUS will use the first rate in the order entered for calculating that tenant’s NPV.
Depreciation and Taxes

The Depreciation & Taxes window allows you to control depreciation of various items and determine the tax rate for a building. The depreciation and tax data will affect ARGUS reports, including the Depreciation Schedule and Income Statement.

Name

You can depreciate the following items:

- **Property**: If you select this option, ARGUS depreciates the initial purchase price from the Property Purchase and Resale window. If no initial purchase price is available, ARGUS will use the most conservative present value amount.

- **Capital Expenditures**: If you select this option, ARGUS depreciates the line item or items on the Capital Expenditures window. For more information, see the Capital Expenditures section of Chapter 5, Revenue and Expense Windows.

- **Land Costs, Hard Costs, Soft Costs**: These items are the Development Costs property level windows. They are primarily for construction of new rental property, units or expansion of existing properties.

Note: The Depreciation & Taxes window is not meant to completely duplicate depreciation and tax calculations by the Internal Revenue Service. It is designed to provide a framework for you to construct your own depreciation and tax structure projections.
Land costs are for purchase of buildings or property. Hard costs fund tangible construction-related items. Soft costs are for intangible items like building permits. Land purchases are generally not depreciated. The land cost line item is mainly for depreciating site improvements. For more information, see the Development Costs section in Chapter 5, Revenue and Expense Windows.

- **Debt Interest**: If you select this option, ARGUS amortizes the interest on any debts available.

- **Leasing Commissions, Tenant Improvements**: These lines use the leasing commissions or tenant improvements from the Rent Roll, Space Absorption, or Market Leasing Assumption window. There is no detailed input available for these items, since only one is allowed per tenant or market leasing assumption. The amounts from leasing commissions or tenant improvement categories will be added together and total amount will be depreciated.

**Simple/Detail**
The choices in the Simple/Detail drop-down list determine what items are used for the depreciation.

The Detail selection allows you to use different methods, useful lines and amount bases for ARGUS components with multiple line items, such as capital expenditures, debts, and development costs.

Detail is not available in the Property, Leasing Commissions, and Tenant Improvement fields, because those lines use specific amounts that do not have multiple listings.

**Method**
Select one of the depreciation methods below from the drop-down list in the field.

**Note**: ARGUS does not take salvage value into account when calculating depreciation.

- **None**: This option will not depreciate the line item.

- **Expense**: This option does not depreciate the amount, but shows the flow in the Income Statement generated from the Depreciation and Taxes report window.
- **Straight Line**: This method divides the cost of the asset by the asset’s useful life.

**Example**

If, for example, a building has a useful life of 40 years and a value of $1 million, ARGUS will use the following formulas and produce these results.

\[
\text{Depreciation per Year} = \frac{\text{Cost of Asset}}{\text{Useful Life}}
\]

\[
\text{Depreciation per Year} = \frac{\$1,000,000}{40 \text{ years}} = \$25,000 \text{ per year for 40 years worth of months}
\]

- **Amortization**: This option divides the cost of the asset and by the asset’s useful life.

- **Double Declining**: This method is twice the results of the *Straight Line* method.

\[
\text{Double Declining Percentage} = \frac{100 \text{ percent}}{\text{Useful Life}} \times 2
\]

\[
\text{Depreciation Value} = \text{Double-Declining Percentage} \times \text{Amount to Depreciate}
\]
Capitalize: If you use this method, the amount of the line item is added to the Property line item and depreciated at the property rate. When you use this method, the amount of the line item is added to the basis of the property for the calculation of capital gains and depreciation is taken using the property depreciation method.

Detail: To use a detailed depreciation method, choose Detail while the Method field is active. To create a Depreciation category, choose New on the Depreciation category window. Enter the percentages per year on the Depreciation window.

Note: In each year, depreciation is a percentage of the original basis amount.

Useful Life
Enter the number of years to depreciate the asset. This number will vary with different types of properties or expenses.

The Useful Life field for Tenant Improvements and Leasing Commissions includes a drop-down list with an option called Lease Life. This option, which is the default for Leasing Commissions and Tenant Improvements, depreciates the items over the life of the lease. You may still enter a number of years to depreciate if necessary.

Amount Basis
Select one of the following options on which to base the depreciation and tax calculation:

Use Input: When you select this option, ARGUS uses the entry in the Name field as a basis for the depreciation calculation. The property will use the initial purchase price from the Property Purchase and Resale window.

Simple: Enter a number in the field after selecting this option. ARGUS will use your entry as the basis for the depreciation. You may use the abbreviations K for thousands and M for millions.

Detail: Choose Detail to display a window that allows for multiple entries of the depreciation basis.

Ordinary Income Tax Rate
Enter the desired income tax rate into this field. ARGUS will use your entry to generate the income after taxes and depreciation in the Depreciation and Taxes income statement.

Capital Gains Tax Rate
Enter the desired capital gains tax rate for the analysis. ARGUS will use your entry to determine the capital gains taxes to be paid upon the sale of the building.
Partnership Equity

The **Yield** menu includes the following options that relate to partners:

- Equity Contributions...
- Cash Flow Contributions...
- Resale Distributions...
- Partner Groups...
- Partner Levels...

Each of these options is described in greater detail in this chapter.

**Equity Contributions**

The Equity Contributions window appears when you select **Equity Contributions** from the **Yield** menu. This window is where you specify the contributions made by partners.

**Example**

This property has three partners who fund the property in different ways. Partner 1 uses a detailed amount that includes a $500,000 payment in January and May. Partner 2 provides $1 per square foot of the building per year. Partner 3 provides 5% of the Non-Reimbursable Expenses of the property.

**Name**

Enter a name of up to 30 characters. This will be printed on reports exactly as you enter it.

**Account Code**

You may enter an account code of up to 12 characters in this field.
Amount

The Amount field is where you define the contribution from the partner. You may enter a single amount, or you may enter detailed amounts or sub-lines. You should enter items that change units of measure during an analysis as sub-lines. For more information about entering detail, sub-lines, or s-curves, see Chapter 5, Revenue and Expense Windows.

Units

The selection you make in this field determines how ARGUS interprets the entry in the Amount field. If you entered sub-lines, the Units field will be unavailable. For more information on the interaction between the Amount field and the Units field, see Chapter 5, Revenue and Expense Windows. Select one of the options below from the drop-down list in the field.

Percent of Effective Gross Revenue

If you select this option, ARGUS interprets the entry in the Amount field as a percentage of effective gross revenue (EGR).

Currency Amount

If you select this option, ARGUS interprets the entry in the Amount field as a specific monetary amount of equity.

Currency per Area

If you select this option, ARGUS multiplies the entry in the Amount field by the category specified in the Area field.

Percent of Line

This option displays the Percent of Line Entries window where you can specify percentages of individual line items to be used as the contribution.

The Available Cash Flow item, which includes the property purchase price and the partner’s equity, allows you to specify that a partner will fund a negative cash flow for the property.

Note: The Available Cash Flow line item on the Percent of Line window is equal to the Cash Flow Before Debt Service – the Sources and Uses of Capital (excluding Undistributed Cash).
If you enter a negative percentage and use a minimum of 0, you can specify that a partner will be providing funds for a building with a cash flow deficit.

**Example**
A partner is going to invest 10,000 in a building and fund 50% of the negative cash flow of the project. The line item for the partner in the Equity Contributions window should use sub-lines in the Amount field. The first sub-line should be a $10,000 (in a detail) initial investment. The second sub-line should be Percent of Line (% of Line). An Available Cash Flow percentage of -50 should be entered as shown.

<table>
<thead>
<tr>
<th>Percent</th>
<th>Line Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Vending Machines</td>
</tr>
</tbody>
</table>

**Percent of Line Detail**
You can use the Percent of Line Detail window to limit the selection to particular lines. If all of a section should be included in a calculation, enter the percentage on the main window without using detail. To access the Percent of Line detail window, choose Detail while the Percent field for the item is active.

**Percent of Line Range**
Choose the Range button to enter a percent of line range. The Percent of Line – Range window allows you to enter a start date, end date, minimum, maximum, and corresponding inflation rates. You can set the percentage and enter the minimum. ARGUS will use the higher value. In the Minimum and Maximum fields, entries less than or equal to 25 are considered currency per measurement unit per month (e.g., dollars per square foot per month); entries greater than 25 are interpreted as currency per month.

In addition, the Percent of Line - Range window allows you to use Period categories to specify when revenues and expenses entered as Percent of Line items will be applied to the cash flow.
**Applied**
The Applied section of the window allows you to specify when the percentage will be applied to the cash flow. You may choose from the following options:

- **Monthly**: Choose this option to apply the percentage to the cash flow on a monthly basis.
- **Specific Date**: Enter a date on which the percentage will be applied to the cash flow.
- **Set Period**: You can use Period categories to specify when Percent of Line items will be applied to the cash flow. To specify a Period category, select this option and select an existing Period category, or position the cursor in the field to the right of the option and choose **Detail**. See the next section in this chapter for information on Period categories.

**Months Offset**
The **Months Offset** field on the Percent of Line – Range window allows you to enter a positive or negative number of months to offset the payment frequency.

**Period Categories**
To create Period categories, choose **New** on the Periods category window.

**Category**
Enter a name for the new category. If you leave this field blank, ARGUS will assign a name using the following conventions: Period 1, Period 2, Period 3, etc.

**Frequency**
Select one of the options below to specify the frequency with which the percentage will be applied:

- Monthly
- Quarterly
- Other

If you select **Other**, you must also specify the months in the Period Beginning/Ending section.
Payment Applied
Specify whether payment is to be applied at the beginning or ending of the period.

Based On
Indicate whether you wish to use a fiscal or calendar year.

Period Beginning/Ending
This section is only available if you select Other as the frequency. If you chose Fiscal in the Based On section, the months of the analysis will be listed in this section. If you chose Calendar, the months of the year will be listed. Select the months in which the percentage range is to be applied to the cash flow.

Area
The Area field is used with the Currency per Area ($/Area) unit to base an investment on all or part of a property, and is unavailable when you select any other option in the Unit field. Select an option from the drop-down list in the field. If you choose Detail from this field, the Area Measures category window will be displayed. See Chapter 4, Property Description Windows, for more information.

Frequency
The Frequency field allows you to specify how often the entry in the Amount field is applied. You may choose from the following options:
- /Year
- /Month
- /Quarter

The entry in the Amount field will be spread over the period you select. This field is not available if you entered sub-lines or detail in the Amount field, or if you selected Percent of EGR, or Percent of Line in the Units field.

Percent Fixed
For all line items, except those defined as Percent of EGR and Percent of Line, the entry in the Percent Fixed field separates the item into fixed and variable cost components to adjust for physical vacancy. This amount will appear on the Schedule of Prospective Cash Flow report. Entering a number in this field overrides the ARGUS default, which is 100% fixed. This field is unavailable if you entered sub-lines for the item. If you enter a percent fixed of less than 100%, ARGUS separates the amount of the item into fixed and variable amounts and adjusts the variable amount by the average physical occupancy level for that year.

Inflation
All amounts, except those entered as a Percent of EGR or Percent of Line, inflate by the general inflation rate or a specific inflation rate entered in the Inflation field. The inflation method chosen on the Inflation Rates window accessed from the Property menu determines when inflation occurs.

Leave the Inflation field blank to inflate the item by the general inflation rate. To override the general inflation rate, enter a specific rate in the Inflation field. See Chapter 4, Property Description Windows for more information on inflation.
**Detailed Inflation**

To specify a changing inflation rate, select *Detail* from the drop-down list in the field, or choose *Detail* while the field is active.

![Equity Contributions - Joe Blanchard](image)

**Type**

This field allows you to allocate partner equity contributions to a particular escrow account, or to use a line item as a basis for other calculations, without reporting it on the Cash Flow report.

- **Cash**: If you select this option, the field will be reported on the Cash Flow report.
- **Non Cash**: If you select this option, ARGUS will not report the line item on the Cash Flow report. This is useful if the partner’s contribution is a non-monetary item such as land or equipment.
- **Escrow**: If you select this option, ARGUS will display a window that lists the escrow accounts entered on the Escrow Contributions or Escrow Distributions window. You may use the *Insert* button to add an escrow account to the list.

<table>
<thead>
<tr>
<th>Percent</th>
<th>Escrow Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>40</td>
<td>Escrow Acct 1</td>
</tr>
<tr>
<td>60</td>
<td>Escrow Acct 2</td>
</tr>
</tbody>
</table>

Enter the percentage of the partner equity contribution you wish to allocate to the corresponding escrow account. Your entries must equal 100%; negative values are not allowed.

**Note**: Once you have exited the Escrow Accounts window, you must use either the Escrow Contributions window or the Escrow Distributions window to make any changes to the names of escrow accounts.

**Notes**

This field allows you to enter notes for partners. The Notes section can contain up to 350 characters. A carriage return counts as one character. Notes will be printed on the Input Assumptions. You may also elect to print notes on the Cash Flow report.
Cash Flow Distributions

This window determines how cash is distributed to partners as a property or development generates enough cash flow for such a distribution.

Left Side of Cash Flow Distribution window

Right Side of Cash Flow Distribution window

Partner

This field contains a drop-down list of all the partners you entered on the Equity Contributions window. Select a partner from the drop-down list.

Note: On this window, you may list a partner on more than one line, but the preference levels on those two lines cannot be the same.

Type of Return

Select one of the following options from the drop-down list in the field to specify how the return on the partner’s investment is to be determined.

- **Percentage of Investment**: This option returns an annual percentage of the partner’s cumulative equity and is not affected by input to the Reduce Equity field. If a partner only adds equity to a property in the first year, that amount is used to determine the partner’s distributions in later years.
- **Percentage of Adjusted Investment**: This option returns a certain percentage of the partner’s adjusted equity. The adjusted equity is the cumulative equity minus the sum of any distributions that are defined to reduce equity. If adjusted equity is negative, the partner will not receive a distribution.

- **Percentage of Cash Remaining**: This option returns a percentage of the cash available for distribution.

- **Return Investment**: If you select this option, ARGUS interprets the entry in the *Amount* field as a monthly percentage of cash flow and uses that to distribute the total amount of the equity the partner has invested in the property. ARGUS will decrease the cash flow each period of calculation by the specified percentage until the investment is fully distributed back to the partner.

  Cash will not be distributed to a partner whose investment has already been returned due to previous distributions at a different preference level unless you have selected the *Partnership Return Investment* option on the Partnerships tab on the Calculation Switches window. For more information, see the *Partnership Return Investment* section in this chapter.

- **Amount per Year**: This option returns a fixed amount from the cash flow.

  **Note**: When a partner has more distribution scheduled than there is money available in the cash flow, ARGUS will allocate the available funds to partners depending on their preference level. The undistributed cash flow will not reflect negative amounts. If you select the *Yes* option in the *Cumulative* field, then the funds owed will be paid when money is available in the cash flow. If not, the partner will only receive the funds available at the time of distribution.

- **Percent of Prior Equity**: If you select this option, ARGUS interprets the entry in the *Amount* field as a percentage of the equity of the partner that receives distributions at the same preference level, and is listed in the prior line on the Equity Contributions window.

**Amount**

Enter the distribution amount or the percentage corresponding to the selection in the *Type of Return* field. You can enter percentages as numbers greater or less than one (50 or 0.5 = 50%).

**Cumulative**

This field is where you specify what happens when there is not enough to pay the specified distribution. If the difference between the cash flow and the distribution is to be saved and paid out later, such as when the property is sold or when there is sufficient cash flow, select *Yes*. The *Interest Rate* field determines the interest to be paid on the amount not distributed. Leave this field blank or choose *No* if the distribution amount is not to be saved and distributed to the partner when the cash flow is large enough to support the distribution.

**Interest Rate**

Enter the interest rate to be applied to the undistributed amount when there is a *Yes* in the *Cumulative* field and not enough money in the cash flow to fund the distribution.

**Preference Level**

This field is where you specify the disbursement priorities to be used if the cash flow cannot support all disbursements entered on the Cash Flow Distributions window. Line items with lower numbers receive cash before those with higher numbers. Items with equal numbers receive distributions proportionate to their respective scheduled distributions.
Example
In this example, Partner 1 is scheduled to receive $6,000, and Partner 2 is scheduled to receive $3,000. Both distributions are at the same preference level.

If there is only $1,000 available for distribution, it would be divided as follows:

<table>
<thead>
<tr>
<th>DISTRIBUTABLE CASH FLOW</th>
<th>$1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>PARTNER DISTRIBUTIONS</td>
<td></td>
</tr>
<tr>
<td>Partner 1</td>
<td>667</td>
</tr>
<tr>
<td>Partner 2</td>
<td>333</td>
</tr>
</tbody>
</table>

Begin and Units
This field is where you specify when to start distributing funds to partners. You may use any of the following methods:

- **Date**: Enter a fixed date on which distributions are to begin, and then select Date in the corresponding Units field. Relative dates are not allowed.

- **Amount**: Enter a currency amount, and then select Amount in the corresponding Units field. With this method, ARGUS will begin distributions when distributions to the partner specified in the After Distribution to field reach the specified amount.

- **IRR**: Enter an IRR rate as a decimal amount, and then select IRR in the corresponding Units field. With this method, ARGUS will begin distributions when distributions to the partner selected in the After Distribution to field reach the specified amount.

After Distribution to
If you enter an amount in the Begin field, you must select a partner, or the All Partners option from the drop-down list in this field. Distributions to the partner named in the current line item will begin after the distributions to the partner you select in this field have ended.

End and Units
This field is where you specify when ARGUS is to stop distributions for this line item. You may use any of the following methods:

- **Date**: Enter a fixed date on which to end distributions, and then select Date in the corresponding Units field. Relative dates are not allowed.

- **Amount**: Enter a currency amount, and then select Amount in the corresponding Units field. With this method, ARGUS will end distributions when distributions for the partner specified in the Until Distribution to field reach the specified amount.

- **IRR**: Enter an IRR rate as a decimal amount, and then select IRR in the corresponding Units field. With this method, ARGUS ends distributions to the partner selected in the Until Distribution to field when they reach the specified amount.
Until Distribution to
If you enter an amount in the **End** field, you must select a partner, or the *All Partners* option from the drop-down list in this field. ARGUS ends the distribution when it reaches the specified amount for the chosen partner or partners.

Reduce Equity
This field allows you to specify that the equity of a partner be reduced by the amount distributed to that partner.

Example
In this example, Partner 1 has invested $1 million and will be distributed cash using a percentage of investment of 13% per year. Partner 2 has an investment of $500,000 that will be paid using the Return Investment method of 9% of the cash flow. Partner 2's disbursement will start after Partner 1 has received $100,000 from the property. Partner 3 has $100,000 invested. Partner 3's disbursement begins in the fifth year of the analysis and ends after Partner 2's disbursement reaches $100,000.

The following screen examples show the entries in the left and right sides of the Cash Flow Disbursements window for the three partners.

**Left Side of Cash Flow Distribution Window**

<table>
<thead>
<tr>
<th>Partner</th>
<th>Type of Return</th>
<th>Amount</th>
<th>Cumulative</th>
<th>Interest Rate</th>
<th>Preference Level</th>
<th>Begin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner 1</td>
<td>% Investment</td>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Partner 2</td>
<td>Return Investment</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td>2 100000</td>
</tr>
<tr>
<td>Partner 3</td>
<td>Amount per Year</td>
<td>15000</td>
<td>Yes</td>
<td></td>
<td></td>
<td>3 1/02</td>
</tr>
</tbody>
</table>

**Right Side of Cash Flow Distribution Window**

<table>
<thead>
<tr>
<th>Partner</th>
<th>Units</th>
<th>After Distribution to</th>
<th>End</th>
<th>Units</th>
<th>Until Distribution to</th>
<th>Reduce Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partner 2</td>
<td></td>
<td></td>
<td>Partner 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partner 3</td>
<td></td>
<td></td>
<td>Date</td>
<td></td>
<td>100000 Amount</td>
<td>All Partners</td>
</tr>
</tbody>
</table>
## Resale Distributions

Many Resale Distributions fields are the same as those on the Cash Flow Distributions window.

### Partner

This field contains a drop-down list of all the partners you entered on the Equity Contributions window. Select a partner from the drop-down list.

**Note:** On this window, you may list a partner on more than one line, but the preference levels on those two lines cannot be the same.

### Type of Return

Select one of the following options from the drop-down list in the field.

- **IRR Rate:** This option allows you to specify that ARGUS is to distribute funds as necessary to give the partner a specified internal rate of return. If you select this option, ARGUS interprets the entry in the Amount field as the internal rate of return percentage to be met.

- **Unpaid Preference:** This option allows you to specify that ARGUS is to distribute a percentage of unpaid cash flow distributions to the partner when the property is sold. If you select this option, ARGUS interprets the entry in the Amount field as the percentage of the unpaid cash flow distributions to be paid to the partner.

  **Example**

  For example, if you specify an unpaid preference of 10% for a partner who invests $1,000,000 and receives cash flow disbursements of $250,000 before the sale of the building, ARGUS will distribute 10% of the remaining $750,000 when the building is sold.

- **Percent of Adjusted Investment:** This option allows you to specify that a percentage of the partner’s adjusted equity is to be paid to the partner when the property is sold. Unpaid cash flow distributions will only be paid in full if enough money is available from the property resale. If the adjusted equity is negative, the partner will not receive a distribution at resale. If you select this option, ARGUS interprets the entry in the Amount field as the percentage of unpaid adjusted equity that will be distributed to the partner.

- **Percent Cash Remaining:** This option allows you to specify that a percentage of the remaining cash flow available for distribution is to be paid to the partner when the property is sold. If you select this option, ARGUS interprets the entry in the Amount field as the percentage of the remaining cash flow to be distributed.
- **Return Investment**: This option, which is similar to the *Return Investment* option in Cash Flow Distributions, allows you to specify that ARGUS is to use a monthly percentage of the cash flow to calculate the total amount of equity to be paid to the partner when the property is sold. If you select this option, ARGUS interprets the entry in the *Amount* field as the monthly percentage of the cash flow to be used in calculating the partner’s equity.

- **Amount**: This option allows you to specify that ARGUS is to distribute a specific amount to the partner when the property is sold, regardless of the amount of equity the partner has in the property. If you select this option, ARGUS interprets the entry in the *Amount* field as the amount to be distributed to the partner upon resale.

**Example**
For example, if a partner invests $100,000 in a building, but the entries on the Resale Distributions window indicate that he is to receive $150,000, ARGUS will distribute that $150,000 (if there is sufficient available cash) even though it is more than the partner invested.

- **Percent of Prior Equity**: If you select this option, ARGUS interprets the entry in the *Amount* field as a percentage of the distribution of the partner specified in the prior line item and paid at the same preference level.

**Example**
For example, if Partner 1 invests $1,000,000 and has $50,000 in resale distributions with a preference level of 1, and Partner 2 invests $500,000 and has resale distributions of 50% of prior equity with a preference level of 1, Partner 2 will receive 50% of $50,000 ($25,000) when the property is sold.

- **Percent of Price**: This option allows you to specify that ARGUS is to distribute a percentage of the initial purchase price to the partner when the property is sold. If you select this option, ARGUS interprets the entry in the *Amount* field as the percentage of the initial purchase price (entered on the Property Purchase and Resale window) to be distributed.

**Amount**
Enter the distribution amount or the percentage corresponding to the selection in the *Type of Return* field. You can enter percentages as numbers greater or less than one (50 or 0.5 = 50%).

**Preference Level**
This field is where you specify the disbursement priorities to be used if the cash flow cannot support all disbursements entered on the Cash Flow Distributions window. Line items with lower numbers receive cash before those with higher numbers. Items with equal numbers receive distributions proportionate to their respective scheduled distributions.

**Begin and Units**
Enter the amount that a partner must reach before distribution is made (at the time of the resale).

- **Date**: Enter a fixed date on which distributions are to begin, then select *Date* in the corresponding *Units* field. Relative dates are not allowed.

- **Amount**: Enter a currency amount, and then select *Amount* in the corresponding *Units* field. If you use this method, ARGUS will begin distributions when distributions to the partner(s) specified in the *After Distributions to* field reach the specified amount.

- **IRR**: Enter an IRR rate as a decimal amount, and then select *IRR* in the corresponding *Units* field. If you use this method, ARGUS will begin distributions when distributions to the partner selected in the *After Distributions to* field reach the specified amount.
After Distribution to
If you enter an amount in the **Begin** field, you must select a partner, or the *All Partners* option from the drop-down list in this field. Distributions to the partner named in the current line item will begin after the distributions to the partner you select in this field have ended.

End and Units
Select one of the options below to specify when ARGUS is to stop distributions for this item.

- **Date**: Enter a fixed date on which to end distributions, and then select *Date* in the corresponding *Units* field. Relative dates are not allowed.

- **Amount**: Enter a currency amount, and then select *Amount* in the corresponding *Units* field. With this method, ARGUS will end distributions when distributions for the partner specified in the **Until Distribution to** field reach the specified amount.

- **IRR**: Enter an IRR rate as a decimal amount, and then select *IRR* in the corresponding *Units* field. With this method, ARGUS will end distributions when distributions to the partner specified in the **Until Distribution to** field reach the specified amount.

Until Distribution to
If you enter an amount in the **End** field, you must select a partner, or the *All Partners* option from the drop-down list in this field. ARGUS ends the distribution when it reaches the specified amount for the chosen partner or partners.

Partner Groups
The Partner Groups window allows you to group different partners together. You can then print or view Partner Distribution reports for these groups. To create a Partner Group, choose **Partner Groups** from the **Yield** menu, and then choose **New** on the Partner Groups category window.

![Partner Groups Window](image_url)
Group
Enter a name for the partner group. If you do not enter a name, ARGUS will assign a name using the following convention: Group 1, Group 2, Group 3, etc.

Available Partners
The Available Partners section lists the partners entered on the Equity Contributions window. Use one of the methods below to select the partners you wish to include in the group:

- Click on a partner.
- Click and drag across several contiguous partners.
- Hold down the Ctrl key and click on individual partners that are not contiguous.

Once you have selected the partners, choose Include to move them to the Included Partners area. Also, you can double-click on a partner and move that partner to the included area.

Included Partners
This area lists the partners already included in the group. To remove a partner from the group, select the partner using one of the above methods. Once you have selected the partner, choose the Exclude button to move the partner out of the group and back into the Available Partners area. Also, you can double-click on a partner and move that partner out of the included area.

Partner Levels
You can use the Partner Levels window to change the Preference Level report labels that appear on the Partner reports. To access this window, choose Partner Levels from the Yield menu.

The Partner Levels window lists distribution preference levels currently in use on the Cash Flow Distribution window.

User-Defined Levels
For each level, enter the text you wish to include on the Partner reports. Keep in mind that entries on this screen do not affect the order of precedence for the preference levels on the Cash Flow Distribution window.
Example
The screen example below illustrates the input required to change Level 1 to Flat Amount and Level 2 to Percentage.

<table>
<thead>
<tr>
<th>Partner Level</th>
<th>User Defined Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>Flat Amount</td>
</tr>
<tr>
<td>Level 2</td>
<td>Percentage</td>
</tr>
</tbody>
</table>

Following is an example showing a section of a Partner report for which Level 1 was changed to Flat Amount, and Level 2 was changed to Percentage.

Note: User-Defined labels are not available in portfolio properties and will not be included in reports for portfolios where the property is a component.
**CHAPTER 22**

**Apartment & Assisted Living Properties**

When you select *Apartment* or *Senior Assisted Living* as the property type on the Property Description window, the ARGUS menus will not include options relating to commercial tenants. In these property types, you should enter space absorption on the Rent Schedule window.

The apartment and assisted living Rent Schedule and Market Leasing Assumptions windows are slightly different from their office and retail counterparts. Most of the remaining windows are identical to those in office and retail properties. For more information on the remaining windows, see the corresponding chapter in this manual.

**Area Measures**

In apartment and assisted living properties, the Property Size category only allows for the entry of the number of units. However, in apartment properties (though not assisted living properties) you may also create user-defined Area Measure categories. These categories will be available in the drop-down list in the *Area* field on the revenue and expense windows.

To create an Area Measure category, choose *Area Measures* from the *Property* menu.

![Area Measure Window]

**Name**

Enter a name for the category. If you do not make an entry in this field, ARGUS will assign a name using the following convention: Area 1, Area 2, Area 3, etc. Note that if you selected a preset category, this field will be disabled and you cannot change it.
Determined By
This section determines whether the category will be based on size or on occupancy.

- **Measurement**: If you select this option, ARGUS uses the entry in the **Size** field to determine the area measure size. To enter measurements that change over time, choose **Detail** while the **Size** field is active.

- **Occupancy**: If you select this option, ARGUS uses the total number of units in a specific Unit Group to establish the area measure size.

Size/Group
The option selected in the **Determined By** section controls the label displayed next to this field.

**Size**
If you selected the **Measurement** option, the **Size** label will be displayed. Enter the area size.

**Group**
If you selected the **Occupancy** option, the **Group** label will be displayed. You may select an existing Unit Group from the drop-down list in the field, or choose **Detail** while the **Group** field is active, to create a new Unit Group. Unit Groups are created in the same manner as Tenant Groups. For more information, see Chapter 14, *Tenant Sort and Tenant Groups*.

Unit
This area displays the default measurement units for the property. For apartment and assisted living properties, it will be in units.

Rent Schedule
The Rent Schedule window is where you enter lease information. You can enter one unit type per line, or you can enter each unit on a separate line. Frequently, the Rent Schedule is used to describe groups of units, with each floor plan occupying a separate line. If you enter information in this manner, the **Total Units** fields should reflect the number of units matching each particular floor plan.

To access the Rent Schedule window, select **Rent Roll** from the **Apartment** (or **Unit**) menu on the ARGUS initial menu screen.

Left side of the Rent Schedule

<table>
<thead>
<tr>
<th>Unit Type Description</th>
<th>Unit Size</th>
<th>Total Units</th>
<th>Current Rent</th>
<th>Current Term</th>
<th>Current Occup.</th>
<th>Market Leasing</th>
<th>Maximum Occup.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 1/1</td>
<td>850</td>
<td>12</td>
<td>650</td>
<td>9</td>
<td>12 1/1 Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 1/1.5/2nd</td>
<td>1000</td>
<td>44</td>
<td>630</td>
<td>3</td>
<td>44 1/1.5 w/2nd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 2/2.5 - Last to Rehab</td>
<td>1100</td>
<td>13</td>
<td>725</td>
<td>9</td>
<td>1 2/1.5 Fireplace</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>4 2/1.5/2nd</td>
<td>1300</td>
<td>4</td>
<td>750</td>
<td>9</td>
<td>4 2/1.5 w/2nd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 2/2/2nd</td>
<td>1500</td>
<td>15</td>
<td>850</td>
<td>9</td>
<td>15 2/2 Renovate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Corp 1/1.5</td>
<td>1100</td>
<td>1</td>
<td>1350</td>
<td>1</td>
<td>Corporate 1/1.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Choose market leasing assumption for this unit type. Press the **Detail** button to add, edit, or delete market leasing assumptions categories. Click **Edit** to edit the selected category directly.
Right side of the Rent Schedule

Since the entire window is too wide to view at the same time, you can use the scroll arrows to scroll from side to side. The Unit Name/Description fields are fixed on the window; all other fields scroll left and right.

Command Buttons
The table below lists the buttons that are displayed near the bottom of the Apartment Rent Schedule window along with the action each button allows you to accomplish.

<table>
<thead>
<tr>
<th>Choose…</th>
<th>To…</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close</td>
<td>Save any changes and exit the window.</td>
</tr>
<tr>
<td>Insert</td>
<td>Insert a new apartment unit type. The new unit type will be placed below the active line, or at the bottom of the list if no line is active.</td>
</tr>
<tr>
<td>Copy</td>
<td>Copy the active unit type line and insert it directly below the original. This is useful when you are entering information for similar units. You can then edit fields that should contain different information.</td>
</tr>
<tr>
<td>Delete</td>
<td>Delete the active line. You can only delete one line at a time. As a precaution, ARGUS prompts you to confirm the Delete command.</td>
</tr>
<tr>
<td>Move</td>
<td>Rearrange lines into the desired order.</td>
</tr>
<tr>
<td>Detail</td>
<td>This button is only available when the cursor is in a field that supports the entry of detailed information. Please refer to the discussion of individual fields for more information on the Detail button.</td>
</tr>
<tr>
<td>Direct</td>
<td>This button is only available when the cursor is in a field for which an existing category has been selected. Choose Direct while one of these fields is active to directly access the existing category.</td>
</tr>
<tr>
<td>Help</td>
<td>Access the ARGUS Help system.</td>
</tr>
</tbody>
</table>

Unit Type Description
You may enter up to 23 characters in the Unit Type Description field. Your entry will print on Unit reports exactly as you enter it. Since report formats use upper and lowercase letters, you should enter unit type descriptions in upper and lower case letters as well.

**Note:** If you intend to export to Microsoft Excel using the .CSV file format, avoid using commas in unit type descriptions, as this will cause a misalignment of columns.
### Unit Size

The **Unit Size** field is where you enter the size for an individual unit. An entry in this field is required. If the units have different sizes, enter the average size. You may use the abbreviations K for thousands and M for millions in this field.

**Tip:** Be sure to enter the average size per unit, *not* the total of all units.

### Total Units

Enter the total number of units being described in this line item.

### Current Rent

Enter the average monthly rent *per unit* for the units included in this line item. If the units have different rents, enter the average monthly rent or use separate unit type lines. If you leave this field blank, ARGUS assumes the rent is 100% of market.

**Tip:** Enter the average monthly rent, *not* the total amount of rent for units in this line item.

### Current Term

Enter the average remaining lease term in whole months for currently occupied units. If you are describing a group of units in this line, enter the average. Fractional months are not allowed.

### Current Occupancy

Enter the number or percentage of units (entered in the **Total Units** field) that are not vacant as of the analysis start date. Your entry cannot exceed the entry in the **Total Units** field. If you leave this field blank, ARGUS assumes that all units are occupied.

- **Number of units:** Enter the number of units currently occupied.

- **Percentage of the total:** Enter the occupancy as a percentage of the entry in the **Total Units** field. Enter this percentage using a value less than one. ARGUS will round the percentage to the nearest whole unit.

<table>
<thead>
<tr>
<th>To Show</th>
<th>Enter</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 Occupied Units</td>
<td>10</td>
</tr>
<tr>
<td>75% Occupancy</td>
<td>.75</td>
</tr>
<tr>
<td>100% Occupancy</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** If the **Current Occupancy** is equal to the **Total Units**, the remainder of the fields on the Apartment Rent Schedule window will be unavailable.

### Market Leasing Assumptions

When beginning a new analysis, if you do not create at least one Market Leasing Assumption category, the Market Leasing Assumption window appears automatically when you exit the Rent Schedule window. You must create at least one category before going on.

Market Leasing Assumptions allow you to set the market conditions that ARGUS will use after the current leases expire. You may use the same Market Leasing Assumption category for all unit types, or you can create a different category for each unit type. To reference an existing Market Leasing Assumption category, select the category from the drop-down list in the **Market Leasing** field. To add a category, choose **Detail** while the field is active.

Turn to the second half of this chapter for information on Market Leasing Assumptions.
Maximum Occupancy
Enter the number or percentage of units (entered in the Total Units field) that can be occupied. Your entry cannot exceed the entry in the Total Units field. Use one of the following methods to enter the maximum occupancy:

- **Number of units**: Enter the maximum number of units that can be occupied. Fractional numbers are not allowed.

- **Percentage of the total**: Enter the maximum percentage of total units of this type. Enter this percentage using a value less than one. ARGUS will round the percentage to the nearest whole unit. An occupancy percentage of 100% must be entered as the number of units. Fractions will be rounded to the nearest full unit.

If you leave this field blank, ARGUS assumes that the maximum occupancy equals the entry in the Current Occupancy field. Therefore, no absorption takes place.

If the maximum occupancy is equal to the current occupancy, the fields to the right of Maximum Occupancy will be unavailable. If the maximum occupancy is greater than the current occupancy, the difference will be leased up by ARGUS. The length of the absorption period is determined by the entry in the Months to Absorb field. The beginning of the absorption period is determined by the entry in the Begin Absorption field.

**Months to Absorb**
The entry in this field determines the length of time over which ARGUS will lease vacant units. The number of vacant units ARGUS will lease is determined by the difference between the Maximum Occupancy and Current Occupancy fields. If they are equal, the Months to Absorb field will be unavailable.

Enter the number of months it will take to lease the vacant units. If you leave this field blank, all vacant units will be leased on the date entered in the Begin Absorption field. ARGUS will not lease fractional units.

**Begin Absorption**
The entry in this field determines when leasing of vacant units begins. If the Current Occupancy and Maximum Occupancy fields are equal, the Begin Absorption field will be unavailable. Leases for absorbed units will start at the beginning of the month. Enter the month and year in which absorption begins (MM/YY), or enter the number of months from the analysis start date until absorption begins. If you leave this field blank, absorption will begin on the analysis start date.

**Calculation Differences**
If you enter a relative date (number of months), ARGUS calculates potential rent for the unit(s) for the number of months vacant and then subtracts this amount from the potential rent as absorption and turnover vacancy. If you enter a fixed date (MM/YY), the unit will have no potential rent until leased.

**Absorption of Vacant Units**
If the entry in the Maximum Occupancy field is greater than the entry in the Current Occupancy field, vacant units will be absorbed. ARGUS creates a line for each unit, or group of units, that begin in different months. These lines will be displayed on the Presentation Rent Roll & Leasing Summary, Individual Unit Type Cash Flow and Summary, and Line Item Supporting Schedules. All currently occupied units will be on a single line, separate from the absorption units.
Example
The following example shows 100 total units entered on a single line on the Rent Schedule window. 70 units are currently occupied and 20 will be leased over a 6-month period. The maximum occupancy is 90.

<table>
<thead>
<tr>
<th>Unit Type Description</th>
<th>Unit Size</th>
<th>Total Units</th>
<th>Current Rent</th>
<th>Current Term</th>
<th>Current Occup.</th>
<th>Market Leasing</th>
<th>Maximum Occup.</th>
<th>Moo to Absorb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Unit</td>
<td>1000</td>
<td>100</td>
<td>12</td>
<td>70 MLA 1</td>
<td>70</td>
<td>50</td>
<td>90</td>
<td>6</td>
</tr>
</tbody>
</table>

On reports, these entries will produce 7 groups of units. Each group will be listed on a separate line. Each line will have the same Unit Type Description. The first line will show the currently occupied units (70). The second line will show the first of 6 absorption groups. This line will include 3 units (20 units divided by 6 months). Lines 2, 4, and 5 will also include 3 units. Lines 3 and 6 will each include 4 units. The Status column in the corresponding Supporting Schedules will reflect the month number in which each group of units begins leasing.

Preparation Costs
You can enter preparation costs as a currency per unit amount or as a category reference. Leave this field blank if there are no preparation costs. Preparation costs will be applied in the first month of the lease.

Entering an Amount
Enter the preparation cost as a currency per unit amount. This amount will not be subject to inflation. If you need to enter inflation, you must use a Preparation Cost category.

Referencing a Category
To reference an existing category, select one from the drop-down list in the Prep Costs field.

Creating a Preparation Costs Category
To create Preparation Cost categories, choose Detail while the Prep Costs field is active, and then choose New on the Preparation Costs category window. See the Market Leasing Assumptions section in this chapter for more information on Preparation Cost categories.

Leasing Costs
You can enter leasing costs as a number of months of rent or as a category reference. If you use a category reference, you can enter leasing costs as a percentage or as a currency amount. Leave this field blank for no leasing costs.

Entering a Number of Months of Rent
Enter the amount as a number of months of rent. You can use partial months if necessary.

Example
Enter 1.2 to specify a leasing cost equal to 1.2 months of the unit's average rent.

Referencing a Category
Referencing a category allows the leasing costs to vary over time. Categories also allow the leasing cost to be a currency per unit value or a percentage of rent. To reference an existing category, select one from the drop-down list in the field.

Creating a Lease Cost Category
To create Lease Cost categories, choose Detail while the Lease Cost field is active, and then choose New on the Lease Cost category window. See the Market Leasing Assumptions section in this chapter for more information on Leasing Cost categories.
Rent Abatements
Enter the number of months for which rent will be abated. The number of rent abatements you enter here will apply to all absorption leases at the beginning of their term. Fractional entries are allowed. Enter 1.5 for one and a half months free. If you leave this field blank, no rent abatements will be applied.

Absorption Term
Enter the number of months the absorption lease term will last. This entry is required. Fractional months are not allowed. If you leave this field blank, ARGUS will automatically enter 12.

Examples
The following examples show some possible Rent Schedule entries for an apartment complex called River Bend. The River Bend Apartments include:

75 Studio Apartments, $375/month
100 One Bedroom Apartments, $450/month
150 Two Bedroom Apartments, $650/month
125 Two Bedroom/Two Bath Apartments, $850/month
90 Townhouse Apartments, $975/month

There is also a $20 charge for second-floor units and a $30 charge for units near the pool.

Method A: Combine all units in one line on the Rent Schedule and enter averages. Enter averages in the Market Leasing Assumptions as well. If you do not have all the information, this may be the best method to use. If you have the information, it is easier to enter different unit types on separate lines than to calculate averages.

<table>
<thead>
<tr>
<th>Unit Type Description</th>
<th>Unit Size</th>
<th>Total Units</th>
<th>Current Rent</th>
<th>Current Term</th>
<th>Current Occup.</th>
<th>Market Leasing</th>
<th>Maximum Occup.</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Units</td>
<td>650</td>
<td>540</td>
<td>663</td>
<td>8</td>
<td>MLA 1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Method B: Combine all units of the same floor plan in one line on the Rent Schedule. By separating unit types, it is easier to enter rent and other items because it requires less averaging. Note that it will take longer to lease larger units. This is difficult to track using Method A.

Left Side of Rent Schedule

<table>
<thead>
<tr>
<th>Unit Type Description</th>
<th>Unit Size</th>
<th>Total Units</th>
<th>Current Rent</th>
<th>Current Term</th>
<th>Current Occup.</th>
<th>Market Leasing</th>
<th>Maximum Occup.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>450</td>
<td>75</td>
<td>375</td>
<td>5</td>
<td>.70 MLA 1</td>
<td></td>
<td>.3</td>
</tr>
<tr>
<td>One Bedroom</td>
<td>600</td>
<td>100</td>
<td>450</td>
<td>7</td>
<td>.75 MLA 2</td>
<td></td>
<td>.85</td>
</tr>
<tr>
<td>Two Bedroom</td>
<td>780</td>
<td>150</td>
<td>650</td>
<td>9</td>
<td>.80 MLA 3</td>
<td></td>
<td>.85</td>
</tr>
<tr>
<td>Two Bed/Bath</td>
<td>850</td>
<td>125</td>
<td>850</td>
<td>8</td>
<td>.70 MLA 4</td>
<td></td>
<td>.85</td>
</tr>
<tr>
<td>Townhouse</td>
<td>575</td>
<td>90</td>
<td>575</td>
<td>11</td>
<td>.85 MLA 5</td>
<td></td>
<td>.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unit Type Description</th>
<th>Not to Absorb</th>
<th>Begin Absorb</th>
<th>Prep Costs</th>
<th>Lease Costs</th>
<th>Abatements</th>
<th>Absorb Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>One Bedroom</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Two Bedroom</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Two Bed/Bath</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Townhouse</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6</td>
</tr>
</tbody>
</table>
Method C: Combine units with the same floor plan and expiration date in one line of the Rent Schedule. By separating the different expiration dates, leasing costs will not be incurred in one or two months of each year. The last line includes all vacant units. The Current Occupancy for this line is zero. Note that all the units use the same Market Leasing Assumptions.

Left Side of the Rent Schedule

<table>
<thead>
<tr>
<th>Unit Type Description</th>
<th>Unit Size</th>
<th>Total Units</th>
<th>Current Rent</th>
<th>Current Term</th>
<th>Market Leasing</th>
<th>Maximum Occup.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>650</td>
<td>14</td>
<td>375</td>
<td>1</td>
<td>14 MLA 1</td>
<td></td>
</tr>
<tr>
<td>Studio</td>
<td>450</td>
<td>10</td>
<td>375</td>
<td>2</td>
<td>10 MLA 1</td>
<td></td>
</tr>
<tr>
<td>Studio</td>
<td>450</td>
<td>11</td>
<td>375</td>
<td>3</td>
<td>11 MLA 1</td>
<td></td>
</tr>
<tr>
<td>Studio</td>
<td>450</td>
<td>12</td>
<td>375</td>
<td>4</td>
<td>12 MLA 1</td>
<td></td>
</tr>
<tr>
<td>Studio</td>
<td>450</td>
<td>8</td>
<td>375</td>
<td>5</td>
<td>8 MLA 1</td>
<td></td>
</tr>
<tr>
<td>Studio</td>
<td>450</td>
<td>11</td>
<td>375</td>
<td>6</td>
<td>11 MLA 1</td>
<td></td>
</tr>
<tr>
<td>Studio</td>
<td>450</td>
<td>2</td>
<td>375</td>
<td>7</td>
<td>2 MLA 1</td>
<td></td>
</tr>
<tr>
<td>Studio</td>
<td>450</td>
<td>7</td>
<td>375</td>
<td>6</td>
<td>0 MLA 1</td>
<td></td>
</tr>
</tbody>
</table>

Right Side of the Rent Schedule

<table>
<thead>
<tr>
<th>Unit Type Description</th>
<th>Move to Acct</th>
<th>Begin Absorb</th>
<th>Prep Costs</th>
<th>Lease Costs</th>
<th>Abatements</th>
<th>Absorb Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Studio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Studio</td>
<td></td>
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<tr>
<td>Studio</td>
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<td></td>
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<tr>
<td>Studio</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Studio</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Studio</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Studio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Studio</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Method D: Separate units with different rents or leasing characteristics. This method separates unit types into groups with similar characteristics. In this example, it is floor and pool location. Without enough information, it would be impossible to do this. This is more accurate than the previous methods, but requires more time and information.

Left Side of the Rent Schedule

<table>
<thead>
<tr>
<th>Unit Type Description</th>
<th>Unit Size</th>
<th>Total Units</th>
<th>Current Rent</th>
<th>Current Term</th>
<th>Market Leasing</th>
<th>Maximum Occup.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio/1st</td>
<td>450</td>
<td>30</td>
<td>355</td>
<td>5</td>
<td>.35 Studio/1st</td>
<td>.75</td>
</tr>
<tr>
<td>Studio/2nd</td>
<td>450</td>
<td>31</td>
<td>380</td>
<td>5</td>
<td>.70 Studio/2nd</td>
<td>.90</td>
</tr>
<tr>
<td>Studio/1stP</td>
<td>475</td>
<td>7</td>
<td>385</td>
<td>5</td>
<td>.90 Studio/1stP</td>
<td>.95</td>
</tr>
<tr>
<td>Studio/2ndP</td>
<td>450</td>
<td>7</td>
<td>410</td>
<td>5</td>
<td>.95 Studio/2ndP</td>
<td>.90</td>
</tr>
<tr>
<td>One Bedroom</td>
<td>450</td>
<td>1</td>
<td></td>
<td>1</td>
<td>One Bedroom</td>
<td></td>
</tr>
</tbody>
</table>

Right Side of the Rent Schedule

<table>
<thead>
<tr>
<th>Unit Type Description</th>
<th>Move to Acct</th>
<th>Begin Absorb</th>
<th>Prep Costs</th>
<th>Lease Costs</th>
<th>Abatements</th>
<th>Absorb Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio/1st</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Studio/2nd</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Studio/1stP</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Studio/2ndP</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One Bedroom</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Method E: This method does not have a screen example. You can enter every unit, or certain units, individually. If you know that a unit will be leased for a long time, you can remove it from the leasing downtime. This method is extremely time consuming. Only a person who knows the complex very well could perform such an analysis, and probably only on very small properties. ARGUS will allow you to enter up to 600 properties.
Market Leasing Assumptions

Market Leasing Assumption categories decrease the amount of time you spend entering values. Instead of typing the same values for each unit, you can enter the projected market values once and reference them for all units with similar characteristics. You must assign a Market Leasing Assumptions category to each unit type, though you may use the same category for more than one unit type.

The Market Leasing Assumptions category is where you enter the following projected values for unit types:

- Renewal Probability
- Market Rent
- Months Vacant (between leases)
- Preparation Costs
- Leasing Costs
- Rent Abatements
- Term Lengths (of leases)

If any of the above items are different for two unit types, you must use different Market Leasing Assumption categories for each of those unit types.

You assign Market Leasing Assumptions categories to unit types in the Market Leasing field on the Rent Schedule window. To create Market Leasing Assumptions categories from the Rent Schedule window, choose Detail while the Market Leasing field is active, and then choose New on the Market Leasing Assumptions category window.

The Market Leasing Assumptions window also appears automatically when you choose Close on the Rent Schedule window, or when you insert a second line item on the Rent Schedule window, if you have not already created at least one Market Leasing Assumptions category.

The Market Leasing Assumptions window is divided into several columns. Use the New Market column to enter values for new unit types as of the analysis start date, and the Renewal Market column to enter values for renewal unit types as of the analysis start date.

ARGUS does not determine which tenants are renewing leases or vacating the property. Instead, it uses the renewal probability to calculate the weighted average values of renewing and vacating rates in the Market Leasing Assumptions, and applies these values to spaces upon rollover.
Market rent and preparation costs are subject to inflation, while the other values will remain constant during the analysis. You can reference categories for most items that change over time.

The Term override columns allow you to enter values to be applied in the corresponding lease term. ARGUS considers Term 1 to be the current term, and you enter those values on the Rent Schedule window. Term 2 is the first rollover to market. If you use the Term columns, any fields left blank will default to the weighted New and Renewal values. Amounts entered in the Term columns are not subject to inflation and are not weighted by the renewal probability.

**Showing and Hiding the Term Columns**

To automatically display the Term columns whenever you access the Market Leasing Assumptions window, choose Input from the Options menu, and then select the following check box on the Switches tab. To hide the columns, clear the check box.

In addition, you can show or hide the columns directly on the Market Leasing Assumptions window by choosing the Overrides button. If you hide the columns after data has been entered in them, a check will be displayed next to the Overrides button as illustrated below.

**Command Buttons**

The following command buttons are available on the Market Leasing Assumptions window.

<table>
<thead>
<tr>
<th>Choose...</th>
<th>To...</th>
</tr>
</thead>
<tbody>
<tr>
<td>OK</td>
<td>Save your changes and exit the window.</td>
</tr>
<tr>
<td>Cancel</td>
<td>Exit the window without saving any changes.</td>
</tr>
<tr>
<td>Detail</td>
<td>This button is only available when the active field supports the entry of detailed information. Please refer to the individual discussions of each field for more information on the Detail button.</td>
</tr>
<tr>
<td>Direct</td>
<td>This button is only available when an existing category has been selected in the active field. Choose the Direct button while one of these fields is active to directly access the existing category.</td>
</tr>
<tr>
<td>Overrides</td>
<td>Show or hide the Term columns. If you hide the columns after data has been entered in them, a check mark will be displayed next to this button.</td>
</tr>
<tr>
<td>Help</td>
<td>Access the ARGUS Help system.</td>
</tr>
</tbody>
</table>

**Category**

Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: MLA 1, MLA 2, MLA 3, etc. This label will print on the Presentation Rent Roll and Tenant Summary report.

**Renewal Probability**

You can enter the renewal probability as a percentage or as a category reference. These methods are described below. Referencing a category allows you to enter renewal probabilities that change over time. The renewal probability is used to weight the entries in the New Market and Renewal Market columns for the following items:

- Market Rent
- Months Vacant
- Preparation Costs
- Leasing Costs
- Rent Abatements
**Entering a Percentage**
The renewal probability does not affect entries in the Term override fields. Enter the renewal probability as a number greater than 1 or as a decimal (50 or .50). This field is required. If you leave this field blank, ARGUS will enter a renewal probability of 50%.

**Renewal Probability Categories**
Categories allow you to specify that renewal probabilities vary over time. An advantage to referencing a category is that the renewal probability percentage can be changed for a large number of tenants just by changing the entries in one category. To reference an existing category, select one from the drop-down list in the field.

For information on creating Renewal Probability categories, see Chapter 16, *Market Leasing Assumptions*.

**Entering the Renewal Probability for Specific Terms**
If you wish to enter the renewal probability on a term-by-term basis, you can use the Term columns. If there are no entries in the Term columns, ARGUS uses the renewal probability in the Renewal Market column.

Renewal Probability categories are not available in the Term columns. Entries in these columns affect the specified term only. ARGUS uses the renewal probability entered in the Renewal Market column in the fifth and all subsequent terms.

**Example**
This example shows a renewal probability of 50%. However, each unit type assigned this Market Leasing Assumptions category will have a 75% probability of renewing as they move into their second term, or their first term in the market. All subsequent rollovers will have a 50% probability.

<table>
<thead>
<tr>
<th>Renewal Probability</th>
<th>New Market</th>
<th>Renewal Mkt</th>
<th>Term 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td></td>
<td>75</td>
<td></td>
</tr>
</tbody>
</table>

**Market Rent**
You can enter the market rent as a currency per unit per month amount for the starting year of the analysis or as a category reference. Referencing a category allows you to enter market rents that change over time.

**Entering an Amount**
Market rent is used to determine a lease's starting rent. The new and renewal rent will be weighted by the entry in the Renewal Probability field and ARGUS uses the resulting value as rent for all spaces referencing this Market Leasing Assumptions category when they rollover to market. The market rent does not change the unit's rent during a lease term.

If you leave the Market Rent field in the New Market field blank, ARGUS assumes that it is zero. If you leave the Market Rent field in the Renewal Market column blank, ARGUS will use the value in the New Market column. Amounts will be inflated by the market rent or general inflation rate. To enter varying inflation rates, you must use a Market Rent category.

**Example**
This example shows a current market rent of $1250 per month for new units. The market rent for renewal units is $1100 per month. The weighted average of these rents will be applied to all rollover leases referencing this Market Leasing Assumptions category.

<table>
<thead>
<tr>
<th>Market Rent</th>
<th>New Market</th>
<th>Renewal Mkt</th>
<th>Term 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1250</td>
<td></td>
<td>1100</td>
<td></td>
</tr>
</tbody>
</table>
Market Rent Categories
Categories allow you to specify that market rents vary over time. To reference an existing category, select one from the drop-down list in the field.

If the market rent changes or inflates by an amount different from the market or general inflation rate, you must use a Market Rent category. For information on creating Market Rent categories, see Chapter 16, Market Leasing Assumptions.

Entering the Market Rent for Specific Terms
The Market Rent Term columns allow you to enter rent on a term-by-term basis. It is not necessary to use all of the Term columns. If you leave the Market Rent field in one of these columns blank, ARGUS will use the weighted, inflated, New/Renewal market rent.

Entries in the Term columns are not weighted by the renewal probability and do not inflate. Categories are not available in the Term columns. Entries in these columns affect only the specified term. ARGUS uses the weighted, inflated New/Renewal market rent in the fifth and all subsequent terms. ARGUS also uses this value to determine market rent for vacancy between leases.

Months Vacant
This section determines the downtime between leases. You can enter the months vacant as an amount, or as a category reference. Referencing a category allows you to enter amounts that change over time. If you leave this section blank, there will be no vacancy between leases. ARGUS automatically enters a zero in the Months Vacant field in the Renewal Market column because a renewing unit will have no vacancy.

Entering an Amount
The Months Vacant amount in the New Market column will be weighted by the renewal probability to determine the amount of downtime applied to all expiring spaces. You can enter the amount as a fractional value, but ARGUS always applies a number of whole months. After weighting the entries in the New Market and Renewal Market columns, ARGUS rounds fractional months to the nearest number of whole months.

Example
This example shows 4.5 months of vacancy between leases. With a renewal probability of 50%, ARGUS will apply 2 months to all rollovers. This is the weighted average of (4.5 x .50 + 0) = 2.25, rounded to the nearest full month, 2.

<table>
<thead>
<tr>
<th>Renewal Probability</th>
<th>New Market</th>
<th>Renewal Mkt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Rent</td>
<td>MKT RENT 1</td>
<td></td>
</tr>
<tr>
<td>Months Vacant</td>
<td>4.5</td>
<td>0</td>
</tr>
</tbody>
</table>

Months Vacant Categories
Categories allow you to enter months vacant amounts that change over time. To reference an existing category, select one from the drop-down list in the field. For information on Months Vacant categories, see Chapter 16, Market Leasing Assumptions.
**Entering the Months Vacant for Specific Terms**

The Term columns allow you to enter the months vacant on a term-by-term basis. Entries in these columns are not weighted by the renewal probability. The amount will be used exactly as entered for the specified term. If you leave one of the Term columns blank, ARGUS uses the weighted New/Renewal value. Categories are not available in the Term columns.

Entries in these columns affect the specified term only. ARGUS uses the weighted New/Renewal value in the fifth and all subsequent terms.

**Preparation Costs**

You can enter unit preparation costs as currency per unit amounts for the starting year of the analysis, or you can reference a Preparation Costs category.

**Entering an Amount**

Enter preparation costs as a currency per unit amount. This amount will inflate by the leasing cost or general inflation rate. If you leave the Renewal Market column blank, ARGUS assumes the renewal value is equal to the entry in the New Market column.

**Example**

This example shows preparation costs of $150 per unit for new leases and $20 per unit for renewal leases. With a 50% renewal probability, ARGUS will apply $85 to all units. 

\[(150 \times 0.50) + (20 \times 0.50) = 85.\]

**Preparation Cost Categories**

Preparation Cost categories allow you to enter varying preparation costs for each year of the analysis. To reference an existing category, select one from the drop-down list in the Preparation Costs field in the New Market column.

To create Preparation Cost categories, choose Detail in the Preparation Costs field in the New Market column, and then choose New on the Preparation Cost category window.

**Category**

Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: PC 1, PC 2, PC 3, etc.
Based On
This field allows you to create categories that are based upon other categories. If you wish to base the current category upon another category, you may choose it in this field.

Before you can base one category on another, you must create the category on which the others will be based. Create this category as explained below. Once you have created a category, you can create another category (or many other categories) based upon that category.

**Note:** You may base categories on other file-specific categories or on global categories that will be available in all your ARGUS files. For more information on global categories, see Chapter 30, *Global Categories*.

If you base the current category upon another category, ARGUS will display the *Adjustments* field. You can use this field to specify the type of adjustments from the original category you wish to make to the current category. You may choose from the following options:

- **% (Percent) Adjust:** If you select this option, ARGUS interprets the entries in the fields below as percentages.

- **$ (Currency) Amount Adjust:** If you select this option, ARGUS interprets the entries in the fields below as currency amounts.

If you base the current category upon another, the *Inflation* row will be replaced with the *New Result (Inflated)* row, which shows calculated amounts for new preparation costs, and the *Renewal Result (Inflated)* row, which shows calculated amounts for renewal preparation costs.

**Unit of Measure**
You can enter preparation costs as currency per unit per month amounts, or as currency per unit amounts. Select the option you wish to use from the drop-down list in the field.

**New, Renewal, and Inflation**
Enter the new and renewal amounts as currency amount per unit values. If you leave any *New* fields blank, there will be no preparation costs in that year. If you leave any *Renewal* fields blank, ARGUS considers the renewal preparation costs equal to the new costs in that year.

Enter inflation rates as values greater than or less than one (.05 or 5) to override the leasing cost or general inflation rate. ARGUS will use the leasing cost or general inflation rate in any years for which you leave the *Inflation* field blank. If there is no inflation, enter zeros.

Keep in mind that if you are basing this category upon another, the entries in these fields should reflect the adjustments you are making to the original category.

**Entering Preparation Costs for Specific Terms**
The Preparation Costs *Term* columns allow you to enter preparation costs on a term-by-term basis. It is not necessary to use all of the *Term* columns. If you leave one of these columns blank, ARGUS will use the weighted and inflated New/Renewal preparation costs.

**Example**
The example below shows no unit preparation costs for the first rollover.

<table>
<thead>
<tr>
<th>Term</th>
<th>New Market</th>
<th>Renewal Mkt</th>
<th>Term 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>150</td>
<td>20</td>
<td>0</td>
</tr>
</tbody>
</table>

The *Term* columns are not weighted by the renewal probability and they are not subject to inflation. Entries in these columns affect the specified term only. ARGUS uses the weighted and inflated New/Renewal preparation costs in the fifth and all subsequent terms.
Leasing Costs
You can enter leasing costs as an average number of months of rent or you can reference a Leasing Costs category.

Entering an Amount
Enter the leasing costs as a number of months of rent. This value will not be subject to inflation. If you leave the New Market column blank, ARGUS assumes an entry of zero. If you leave the Renewal Market column blank, ARGUS considers it equal to the entry in the New Market column. Leasing costs will be applied in the first month of the lease.

Example
The example below shows 2 months of rent as the leasing cost for new units and .5 months for renewal units. If this Market Leasing Assumption has a 50% chance of renewal, ARGUS will show a 1.25-month leasing cost for these units. \((2.00 \times 0.5) + (0.5 \times 0.50) = 1.25\).

<table>
<thead>
<tr>
<th>Leasing Costs</th>
<th>New Market</th>
<th>Renewal Market</th>
<th>Term 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

Leasing Cost Categories
Categories allow you to specify that leasing costs vary over time. To apply leasing costs over the lease term, or to enter currency amounts, you must use Leasing Costs categories. To reference an existing category, select one from the drop-down list in the field.

To create Leasing Cost categories, choose Detail while the field is active, and then choose New on the Leasing Cost category window.

Category
Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following convention: LC 1, LC 2, LC 3, etc.

Based On
This field allows you to create categories that are based upon other categories. If you wish to base the current category upon another category, you may choose it in this field.

Before you can base one category on another, you must create the category on which the others will be based. Create this category as explained below. Once you have created a category, you can create another category (or many other categories) based upon that category.
Note: You may base categories on other file-specific categories or on global categories that will be available in all your ARGUS files. For more information on global categories, see Chapter 30, Global Categories.

If you base the current category upon another category, ARGUS will display the Adjustments field. You can use this field to specify the type of adjustments from the original category you wish to make to the current category. You may choose from the following options:

- **% (Percent) Adjust**: If you select this option, ARGUS interprets the entries in the fields below as percentages.
- **$ (Currency) Amount Adjust**: If you select this option, ARGUS interprets the entries in the fields below as currency amounts.

When you base one Leasing Cost category upon another, the Inflation row will be replaced with two additional rows. The New Result (Inflated) row shows the calculated amounts for new leasing costs; the Renewal Result (Inflated) row shows calculated amounts for renewal leasing costs.

**Unit of Measure**
You can enter the leasing costs as a number of months of rent, a currency per unit amount, or as a percentage of the rent. The default is a number of months of rent. To change this option, select a different option from the drop-down list in the field.

**New, Renewal, and Inflation**
You can enter a leasing costs for each year of the analysis. If you leave any New fields blank for a year, the category will have no leasing costs in that year. If you leave any Renewal fields blank, ARGUS will consider the renewal leasing costs equal to the new leasing costs in that year.

Inflation is used only if the Unit of Measure is currency amount per unit. If you leave the Inflation fields blank, ARGUS will inflate the entries in the New and Renewal fields by the leasing cost or general inflation rate. Enter an inflation rate as (.05 or 5). If there is no inflation, enter a zero in the corresponding year column.

**Entering Leasing Costs for Specific Terms**
The Leasing Cost Term columns allow you to enter leasing costs on a term-by-term basis. It is not necessary to use all of the Term column. If you leave one of these columns blank, ARGUS will use the weighted New/Renewal leasing costs.

**Example**
The example below specifies that there will be no leasing costs for the first rollover.

<table>
<thead>
<tr>
<th>Leasing Costs</th>
<th>New Market</th>
<th>Renewal Mkt</th>
<th>Term 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
<td>5</td>
<td>0</td>
</tr>
</tbody>
</table>

The entries in the Term columns are not weighted by the renewal probability and they are not subject to inflation. Categories are not available in these columns. Entries in the Term columns affect the specified term only. ARGUS will use the weighted New/Renewal leasing costs in the fifth and all subsequent terms.

You must use the same unit of measure for entries in the Term columns that you used for the entry in the corresponding New Market column. This unit of measure is usually a number of months of rent.
**Rent Abatements**

Enter any rent abatements as the number of months that will be abated. Fractional months are allowed. This amount is not subject to inflation. If you leave the *New Market* column blank, ARGUS assumes an entry of zero. If you leave the *Renewal Market* column blank, ARGUS assumes the entry in the *Renewal Market* column is equal to the entry in the *New Market* column.

**Example**

This example shows 2 months of free rent for new units and 0 months of free rent for renewal units. With a 50% renewal probability, ARGUS will apply one month free. \((2 \times 0.50) + (0 \times 0.50) = 1\)

<table>
<thead>
<tr>
<th>Rent Abatements</th>
<th>New Market</th>
<th>Renewal Mkt</th>
<th>Term 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent Abatements</td>
<td>2</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

**Entering Rent Abatements for Specific Terms**

The Rent Abatement *Term* columns allow you to enter abatements on a term-by-term basis. It is not necessary to use all of the *Term* columns. If you leave a *Term* column blank, ARGUS uses the weighted New/Renewal rent abatements. Entries in the *Term* columns are not weighted by the renewal probability and they are not subject to inflation. Entries in these columns affect the specified term only. ARGUS uses the weighted New/Renewal rent abatements in the fifth and all subsequent terms.

**Non-Weighted Items**

Non-weighted items are not affected by the renewal probability. These items are applied to both new and renewal units with no adjustments.

**Term Lengths**

The entry in this field determines the length of future leases. This value is not weighted by the renewal probability. Enter the term length as a number of months. Fractional months are not allowed.

**Entering the Term Length for Specific Terms**

The *Term* columns allow you to enter the length of future leases on a term-by-term basis. It is not necessary to use all of these columns. If you leave any of these columns blank, ARGUS will use the New Market term length for the corresponding term.

Entries in the *Term* columns affect the specified term only. In the fifth and all subsequent terms, ARGUS will use the New Market term length.
CHAPTER 23

Hotel and Motel Properties

When you select the Hotel/Motel property type on the Property Description window, the ARGUS menus will not include options relating to tenants. The remaining windows are similar in all property types. The Miscellaneous Revenues and Capital Expenditures windows are available for all property types.

Area Measures
The following Area Measures are available in hotel properties:

- Property Size
- Alternate Property Size
- Occupied Room Night

Both the property size and the alternate size require that you enter a number of rooms. The occupied room night is calculated by ARGUS and you cannot change it. See Chapter 4, Property Description Windows, for more information on area measures.

Inflation
You may use fiscal or calendar inflation. If you select Calendar inflation, inflation will be applied on the first January 1st of the analysis, and each January 1st thereafter. If the analysis begins in January, inflation will be applied on the following January 1st. If you select Fiscal inflation, inflation will be applied in the first month of the second fiscal year of the analysis, and the same month each year thereafter. The reimbursement method is not used in hotel analysis.

Revenue and Expense Windows
These windows are where you enter revenues and expenses that are not departmental in nature. You can use the Departmental Revenues window and the Departmental Expenses window to enter departmental revenues and expenses.

If there are no non-departmental expenses or revenues for a particular analysis, it is not necessary to enter any information on these windows. Examples of non-departmental expenses are real estate taxes, casualty and liability insurance, franchise fees, management fees, and general administrative expenses.

Difference in Data Entry from Other Property Types
On revenue and expense windows, the difference between hotel properties and other property types is in the available units of measure. The following units of measure are unique to hotel properties:

- Percentage of Total Departmental Revenue (% TtlDept)
- Currency Per Room ($/Area)
- Percentage of Room Revenue (% RoomRev)
- Percentage of Total Gross Revenue (% TGR)
You can express currency amounts as amounts per year, month, quarter, night, or week. ARGUS uses 365 days or 52 weeks in a year. The fixed percentage of an item will be tied to the overall room occupancy, just as in an office property the percentage fixed of an expense is tied to the overall occupancy of a property.

**Note:** The *Percentage of Total Departmental Revenue (% TilDept)* option allows you to specify a percentage of total gross revenue less miscellaneous revenue.

### Additional Property Menu Options
Data entry for the remainder of the options on the Property menu is the same in hotel properties as it is in office, retail, apartment, and general properties, except for changes noted in the previous section. Please see Chapters 4 and 5 for more information.

General vacancy and credit losses are not feasible in hotel properties. These adjustments are made in the room Occupancy field on the Room Description window.

### Yield & Financing Data
The Property Purchase & Resale window, Debt Financing, and Present Value Discounting windows are the same as in the office and retail models. The Property Purchase & Resale window in hotel properties does not allow resale options associated with tenants. The Options not available for hotel/motel properties are:

- CAP Cash Flow After TIs and LCs
- CAP CF Adjusted for Average TIs and LCs
- CAP NOI using Rate adjusted for age
- Grossed up to Stabilized Market Vacancy

### Room Description
You can enter a maximum of 99 room types for hotel/motel properties. You must enter at least one room type in order for ARGUS to calculate room revenues.

![Room Description Window](image)

Press this button to close the Room Description window.
Command Buttons
The following command buttons are available on the Room Description window.

<table>
<thead>
<tr>
<th>Choose…</th>
<th>To…</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close</td>
<td>Save any changes and exit the window.</td>
</tr>
<tr>
<td>Insert</td>
<td>Insert a new line. The new line will be placed below the active line, or at the bottom of the list if no line is active.</td>
</tr>
<tr>
<td>Copy</td>
<td>Copy the active line and insert it directly below the original. This is useful when you are entering information for similar lines. You can then edit fields that should contain different information.</td>
</tr>
<tr>
<td>Delete</td>
<td>Delete the active line. You can only delete one line at a time. As a precaution, ARGUS prompts you to confirm the Delete command.</td>
</tr>
<tr>
<td>Move</td>
<td>Rearrange lines into the desired order. To use, select the line, click Move, then click in the row you want to move the line to.</td>
</tr>
<tr>
<td>Detail</td>
<td>This button is only available when the cursor is in a field that supports the entry of detail information. Please refer to the individual field discussions for more information on the Detail button.</td>
</tr>
<tr>
<td>Help</td>
<td>Access the ARGUS Help system.</td>
</tr>
</tbody>
</table>

Description
Enter up to 29 characters to describe this type of room.

Example
Following are some examples of room descriptions:

<table>
<thead>
<tr>
<th>Room Type/Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Single</td>
</tr>
<tr>
<td>2 Double</td>
</tr>
<tr>
<td>3 Suite</td>
</tr>
</tbody>
</table>

Total Available
Enter the total number of rooms, room nights, or the percentage of total rooms in the hotel that make up this unit type. If you are not using multiple room types, enter the total number of rooms in the hotel.

Example
Following are some possible entries for the Total Available field:

<table>
<thead>
<tr>
<th>Total Avail.</th>
</tr>
</thead>
<tbody>
<tr>
<td>75</td>
</tr>
<tr>
<td>34</td>
</tr>
<tr>
<td>12410</td>
</tr>
<tr>
<td>0.45</td>
</tr>
</tbody>
</table>
Unit Type
The selection in the Unit Type field determines how ARGUS interprets the entry in the Total Available field. Select an option from the drop-down list in the field. You may choose from the following options:

- Rooms
- Room Nights
- Percent of Total Rooms

Example
Following are some possible entries for the Total Available and Unit Type fields. This example illustrates 3 possible entries in this field. If the hotel has 75 rooms, these entries will yield identical results. This first entry is the number of available rooms. The second entry is the total number of room nights available (34 x 365 = 12,410). The third entry is the percentage of available or unoccupied rooms (34 / 75 = .45).

<table>
<thead>
<tr>
<th>Total Avail</th>
<th>Unit Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>34 Rooms</td>
<td></td>
</tr>
<tr>
<td>12410 RoomNights</td>
<td></td>
</tr>
<tr>
<td>0.45 %Total</td>
<td></td>
</tr>
</tbody>
</table>

Quoted Rate
Enter the rate for this room type. This field is required. Your entry will inflate at the room revenue rate or the general inflation rate. To enter changing rates, choose Detail while the field is active.

Quoted Rate Detail
The detail window allows you to enter rates that change each month or year of the analysis. You must use the same unit of measure for all entries on the detail window. Enter the quoted rate using one of the following units of measure:

- Currency per Year
- Currency per Month
- Currency per Night
- Currency per Week

The currency is usually dollars. Detailed amounts will be used as rates for the specified month. Note that the rate cannot change more often than monthly. If you do not know the quoted rate, enter the rate that is received.

Example
Following are some possible entries in the Quoted Rate field. Note that all of these entries result in the same value. (100 $/Night x 365 Nights = 36,500 $/Year, 36500 $/Year / 52 weeks = 701.92 $/Week, 36500 $/Year / 12 Months = 3041.6 $/Month)

<table>
<thead>
<tr>
<th>Quoted Rate</th>
<th>Unit of Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>$/Night</td>
</tr>
<tr>
<td>36500</td>
<td>$/Year</td>
</tr>
<tr>
<td>701.92</td>
<td>$/Week</td>
</tr>
<tr>
<td>3041.6</td>
<td>$/Month</td>
</tr>
</tbody>
</table>
Achieved Rate
Enter the amount actually received for the corresponding room type. Leave this field blank to use the quoted rate as the achieved rate. The achieved rate will inflate at the room revenue or general inflation rate. To enter changing rates, choose Detail while the field is active.

Achieved Rate Detail
The Achieved Rate detail window allows you to enter rates that change in each month of the analysis. You can also override the room revenue or general inflation rate on this window. You must use the same unit of measure for all entries in the Achieved Rate detail window.

Enter the achieved rate using one of the following units of measure:

- Currency Amount per Year
- Currency Amount per Month
- Currency Amount per Night
- Currency Amount per Week
- Percent of Quoted Rate
- Percent Discounted from Quoted Rate

Example
Following are some possible entries for the Achieved Rate field. Note that for a Quoted Rate of $100/Night, all entries will result in the same value.

(75 $/Night x 365 = 27,375 $/Year, 27,375 $/Year / 52 weeks = 526.44 $/week, 27,375 $/Year / 12 Months = 2,281.25 $/Months, 75 $/Night Achieved Rate / 100 $/Night Quoted Rate = .75 of Quote, 1 - .75 of Quote = .25 Discount)

<table>
<thead>
<tr>
<th>Achieved Rate</th>
<th>Unit of Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>75</td>
<td>$/Night</td>
</tr>
<tr>
<td>27375</td>
<td>$/Year</td>
</tr>
<tr>
<td>526.44</td>
<td>$/Week</td>
</tr>
<tr>
<td>2281.25</td>
<td>$/Month</td>
</tr>
<tr>
<td>.75</td>
<td>% of Quote</td>
</tr>
<tr>
<td>.25</td>
<td>% Discount</td>
</tr>
</tbody>
</table>

Room Occupancy
Enter the occupancy of this unit type as a stabilized number, or choose Detail while the field is active to enter the occupancy on a monthly basis. You can leave this field blank. If you leave the field blank, ARGUS will use an occupancy of 100%.

Example
Following are some possible entries for the Room Occupancy field. The first entry indicates 50% of the rooms are occupied. The second entry indicates the occupancy varies monthly or yearly. The third entry indicates 75% of the rooms are occupied.

| Room Occup. | |
|-------------||
| 50          | |
| Detail      | |
| .75         | |

If you enter an achieved rate that reflects current occupancy, you should leave the Room Occupancy field blank. If you enter a percentage of available rooms in the Total Available field, you should leave the Room Occupancy field blank.
Using the Room Description Window

The Room Description window offers you a tremendous amount of flexibility. The same data can be entered in many ways and still yield the same results. Often you may not have all the necessary information to fill out the window completely. The following example illustrates the many ways that data can be entered to yield the same results.

Example

There are 100 rooms in this hotel. The hotel quotes a rate of $100 per room per night. With discounts, the hotel collects an average of $80 per room per night for occupied rooms. The hotel averages 70% occupancy. The first way to enter this is to enter the data as shown below:

<table>
<thead>
<tr>
<th>Room Type/Description</th>
<th>Total Avail.</th>
<th>Unit Type</th>
<th>Quoted Rate</th>
<th>Unit of Measure</th>
<th>Achieved Rate</th>
<th>Unit of Measure</th>
<th>Room Occup.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Unit</td>
<td>100 Rooms</td>
<td></td>
<td>100</td>
<td>$/Night</td>
<td>80</td>
<td>$/Night</td>
<td>70</td>
</tr>
</tbody>
</table>

Another way to enter the data is to enter the achieved rate as the quoted rate. The benefit of this method is that it reduces the amount of data entry required. This entry is shown below:

<table>
<thead>
<tr>
<th>Room Type/Description</th>
<th>Total Avail.</th>
<th>Unit Type</th>
<th>Quoted Rate</th>
<th>Unit of Measure</th>
<th>Achieved Rate</th>
<th>Unit of Measure</th>
<th>Room Occup.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Unit</td>
<td>100 Rooms</td>
<td></td>
<td>80</td>
<td>$/Night</td>
<td>80</td>
<td>$/Night</td>
<td>70</td>
</tr>
</tbody>
</table>

To further simplify data entry, you can enter the number of occupied rooms as the total available. This reduces data entry because the occupancy field defaults to 100%. This entry is shown below:

<table>
<thead>
<tr>
<th>Room Type/Description</th>
<th>Total Avail.</th>
<th>Unit Type</th>
<th>Quoted Rate</th>
<th>Unit of Measure</th>
<th>Achieved Rate</th>
<th>Unit of Measure</th>
<th>Room Occup.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Unit</td>
<td>70 Rooms</td>
<td></td>
<td>80</td>
<td>$/Night</td>
<td>80</td>
<td>$/Night</td>
<td>100</td>
</tr>
</tbody>
</table>

Note that all of these examples produce $2,044,000 per year in revenue.

Room Expenses

You can use this window to enter room expenses.

Note: Account codes and reference accounts are not available on the Hotel Room Expenses window because all line items are grouped together on the Cash Flow report.

Command Buttons

The command buttons available on the Hotel Room Expenses window are the same as those available on the Room Description window. For more information about the command buttons, please refer to the Room Description section in this chapter.

Name

You may enter a label of up to 30 characters to describe the expense. These labels will print on the calculated reports exactly as you enter them.
**Amount**
The *Amount* field allows you to define the amount of an item as a single value, or as a specific data entry method for entering detail, sub-lines, or an S-curve. Depending on the entry in the *Units* field, ARGUS interprets the entry in the *Amount* field as any of the following:

- Currency Amount
- Currency Amount per room
- A percent of room revenue
- A percent of total gross revenue
- Percent of Line

Detailed: To enter varying amounts, choose *Detail* in the *Amounts* field. For information on entering detailed expenses, see Chapter 5, *Revenue and Expense Windows*.

Sub-lines: Allows you to specify that an expense be comprised of any number of individual expenses. A sub-line can contain detail, but not other sub-lines.

S-Curve: Allows you to spread a percentage of a revenue or expense over a series of months.

**Units**
The *Units* field determines how ARGUS interprets the entry in the *Amount* field. Items that change units of measure during an analysis should be entered on two different lines. Detailed sub-line entries are recommended for this purpose. Select one of the following options from the drop-down list in the *Units* field:

- Currency Amount
- Currency Amount per Room
- Percentage of Room Revenue
- Percentage of Total Gross Revenue
- Percent of Line

See Chapter 5, *Revenue and Expense Windows*, for more information on units of measure.

**Frequency**
The *Frequency* field determines how often the entry in the *Amount* field is applied. For items that are percentages or detailed entries, this field is unavailable. Select one of the following options from the drop-down list in the field:

- Year
- Month
- Quarter
- Night
- Week

**Percent Fixed**
You can use the *Percent Fixed* field to adjust for vacancy by dividing items into fixed and variable components.

The higher the occupancy, the less sensitive an item is to the percentage fixed. If the occupancy is high, an entry in the *Percent Fixed* field will change the resulting amounts very little. If the occupancy is low, an entry in the *Percent Fixed* field will have a greater effect on the analysis.

**Note:** If you enter an item as less than 100% fixed, the first year *Amount* should represent what the item would be if the property were 100% occupied.
Inflation
All amounts that are not a percentage of gross revenue will inflate by the general inflation rate or the specific inflation rate you enter in the Inflation field. The inflation method chosen on the Inflation Rates window determines when the inflation is applied.

If you leave the Inflation field blank, the revenue or expense inflates based on the general inflation or the section inflation entered on the Inflation Rates window. To override the general inflation rate or the section inflation rate, you must enter a specific rate in the Inflation field. Entries in this field also override portfolio scenarios. Enter the percentage as a number greater than or less than one. You can enter changing inflation rates by choosing Detail when the Inflation field is active.

See Chapter 5, Revenue and Expense Windows, for more information on detailed inflation.

Departmental Revenues & Expenses
These windows are similar to the revenue and expense windows described earlier in this chapter. Please refer to these sections for more information. The difference between these windows and the windows described earlier are the Labels and the Unit of Measures. These windows include the following preset items:

- Food
- Beverage
- Telephone
- Other

To delete one of these items, use your mouse to position the cursor in one of the fields for the item you wish to delete, and then choose Delete. To insert items, choose Insert. To copy a line item, position the cursor in one of its fields and choose Copy. To move a line item, position the cursor in one of its fields, choose Move, and then click in the new position.

Units of Measure
You may use the following units of measure on the Departmental Revenue window:

- Currency Amount
- Currency Amount per Room
- Percentage of Room Revenue
- Percent of Line

You may use the following units of measure on the Departmental Expenses window:

- Percent of Total Gross Revenue
- Currency Amount
- Currency Amount per Room
- Percentage of Room Revenue
- Percentage of Departmental Revenue
- Percent of Line

If you select Percent of Departmental Revenue as the unit of measure, the expense is a percent of the line item only, not the total for the Departmental Revenue window. Revenue items have the same name as the corresponding expenses. If you change the name for an item on either of these windows, the name of the corresponding item will also change on the other window.
CHAPTER 24

General Properties

The general property type is very basic. It is used for relatively uncomplicated properties or if income is not derived from rent, but from other fees or sources. It can also give you a quick present value projection for property just entering revenues and expenses. The general property type does not include a Rent Roll. General properties have several uses including:

- Determining value of raw land
- Industrial Property
- Commercial and non-commercial properties that do not derive income from rent

Because general properties also include the Development Costs options on the Property menu, you can examine speculative expansions as well.

Menus

General properties have fewer menu items that a typical office property. There is no Tenant menu and none of the corresponding menu options. There are also no Categories or Market menus. The remaining menu options are similar to those in office, retail, and industrial properties. Refer to the corresponding chapters in this manual for more information on any of these options.

Miscellaneous Revenues

The Miscellaneous Revenues option on the Property menu displays a window that is similar to the Miscellaneous Expenses window. It functions in a manner similar to the Non-Reimbursable Expenses window in an office property.

Example

A golf course can be analyzed using a general property type. The golf course does not rent space like an office or retail property. Its revenues are derived from fees. The course has a number of miscellaneous expenses as shown in the screen example below:
There are several revenue sources for the course. These are detailed on the Miscellaneous Revenues window.

<table>
<thead>
<tr>
<th>Name</th>
<th>Acct Code</th>
<th>Amount</th>
<th>Units</th>
<th>Area</th>
<th>Frequency</th>
<th>% Fixed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green fees w/cat rental</td>
<td></td>
<td>5,000,000</td>
<td>$ Amount</td>
<td></td>
<td>/Year</td>
<td>100</td>
</tr>
<tr>
<td>Pro Shop</td>
<td></td>
<td>1500</td>
<td>$ Amount</td>
<td></td>
<td>/Month</td>
<td>100</td>
</tr>
<tr>
<td>Concessions</td>
<td></td>
<td>3000</td>
<td>$ Amount</td>
<td></td>
<td>/Month</td>
<td>100</td>
</tr>
</tbody>
</table>

You can generate Cash Flow, Debt, Property Value, and various other reports from the property in the previous example.

**Simple Analysis**

You can also use the general property type to do a quick analysis of a property.

**Example**

A building has rental income of $1.2 million per year, maintenance costs of $200,000 per year, taxes of $20,000, and a $500,000 note at 11%. The purchase price was $10 million and the resale price will be calculated by capitalizing net operating income with a cap rate of 5%.

When you select **Percent of Departmental Revenue** as the unit of measure, the expense is a percent of the corresponding item only, not the total for the Departmental Revenue window. The corresponding revenue item has the same name as the expense. If you change the name of an item on either of these windows, the name of the corresponding item will also be changed on the other window.
CHAPTER 25

Portfolio Analysis

Portfolio Analysis allows you to run consolidated reports for selected properties, tenants, and business partners. It also allows you to create scenarios you can use to adjust the values and inflation rates for the portfolio components.

Note: If you have the international version of ARGUS, and this is an international file, you can consolidate and convert portfolio components with different currencies and units of measure (i.e., square feet and square meters).

To use this feature, each of the component properties must be an international file. Then, in the portfolio property, enter the currency and unit of measure to which you wish to convert on the Input Preferences window. ARGUS will allow the following spelling variations in the units of measure:

Square Meter  Square Meters  Square Metre  Square Metres  Square Feet

The unit of measure conversion is: 1 Square Meter = 10.764 Square Feet

Property Description

To create a portfolio, select the Portfolio property type on the Property Description window.

Timing

On the Property Timing window, the Years of Analysis for a property can be different from the Years of Analysis for the portfolio. If the length of time for the selected property is shorter than for the portfolio, the cash flow will show a drop in income when the property is sold.

Area Measures

In portfolios, ARGUS does not automatically use a consolidated area measure if you do not enter the property size. However, if you do not enter the property size, ARGUS will display a message during calculation asking if you want to use a consolidated area measure for area based calculations.
If you wish to use a consolidated area measure, you may choose one from the drop-down list in the **Use Calculated Area** field in the message.

You may also disable the portfolio area measure warning by clearing the check box next to **Display Area Size Warning** on the General tab on the Calculation Switches window. You can set the default consolidated area measure used in the warning by selecting the following option on the General tab on the Calculation Switches window, and then selecting the area measure you wish to make the default.

**Note:** If you use a consolidated area measure, the **Property Size** field will be disabled on the Property Description Area Measures tab. It will be enabled again if you disable this option on the Calculation Switches window.

**Portfolio Expenses**

You can use the Portfolio Expenses window to enter expenses at the portfolio level. With the exception of the **Percent Fixed (% Fixed)** and **Ref. Acct. (Reference Account)** fields, which are unavailable in portfolio properties, the Portfolio Expenses window is similar to the other revenue and expense windows in ARGUS.

For more information, see Chapter 5, *Revenue and Expense Windows*.

**Budgeting Account Codes**

You can use the **Budgeting Account Codes** option on the **Property** menu to change the portfolio report labels. See Chapter 6 for information on changing report labels.

**Portfolio Selection Tabs**

You can access the tabs below when you choose the **Selection** option from the **Portfolio** menu on the ARGUS initial menu screen. Click on one of the tabs to display a different window.

- Scenario Calculation
- Consolidation Type
- Property Selection
- Tenant Selection
- Partner Selection
Chapter 25: Portfolio Analysis

Scenario Calculation Tab

Scenarios allow you to change the following key items for all properties included in a portfolio:

- Cap Rate
- Renewal Percent
- Vacancy Loss Rate
- Credit Loss Rate
- Inflation
- Market Rent
- Months Vacant
- Tenant Improvements
- Leasing Commissions
- Rent Abatements

**Note:** If you use scenarios in a portfolio analysis, you must recalculate all component properties the next time you open them in order to produce correct reports.

Scenarios

To create a scenario, select the Single Scenario option, and then choose Detail. Note that you may also create a scenario by selecting Scenarios from the Portfolio menu on the main ARGUS screen. On the Portfolio Scenarios category window, choose New.

You can use the Portfolio Scenario window to change property, market, and inflation of information. Click on one of the corresponding tabs to display a different window.

**Scenario**

Enter a unique scenario name. If you leave this field blank, ARGUS will assign a name using the following convention: Scenario 1, Scenario 2, Scenario 3, etc.

**Print Title**

If you wish to include the scenario name on reports, select the Print Title check box. The title will not appear if you choose to view the report, but it will be included if you print the report.
Apply To

Applied Scenario Criteria categories allow you to select which properties your scenarios will modify. To create an Applied Scenario Criteria category, choose new while the Apply To field is active, and then choose New on the Applied Scenario Criteria category window.

Note: You can also access the Applied Scenario Criteria category window by selecting the Scenario Criteria option on the Portfolio menu.

Category

Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following convention: Criteria 1, Criteria 2, Criteria 3, etc.

Portfolio Name

To search for properties with a specific portfolio name, enter the portfolio name, or part of the portfolio name in the Portfolio Name field. This field is not case sensitive. For ARGUS to find a match in a collateral property, the corresponding first letters in the portfolio name must have been entered on the Property Description window in the property. The name must match your entry exactly.

Example

If you enter “South” as the portfolio name, ARGUS will find a match in two of the examples below.

<table>
<thead>
<tr>
<th>Portfolio Name</th>
<th>Included</th>
</tr>
</thead>
<tbody>
<tr>
<td>South West</td>
<td>Yes</td>
</tr>
<tr>
<td>South Central</td>
<td>Yes</td>
</tr>
<tr>
<td>North and South</td>
<td>No</td>
</tr>
</tbody>
</table>

Property Types

Select the check boxes next to the property types you wish to search for.

Area Range

Enter the minimum and maximum square footage of the properties you wish to search for. If you leave either the Min or the Max field blank, there will be no minimum or maximum.
**Property Button**
Choose the **Property** button to display the Property Criteria window. This window allows you to select additional property criteria to search for. Choose the **Insert** button on the right side of the window to add a blank line.

**Tenant Button**
Choose the **Tenant** button to display the Tenant Criteria window. This window allows you to select additional tenant criteria to search for. You may SIC codes, minimum tenant square footage, or a percentage of the building.

**Loan Button**
This option is only available in the ARGUS Loan System. Contact your ARGUS sales representative for more information about the Loan System.

**The Property Tab**
You can change the information below on the Portfolio Scenario Property tab.

<table>
<thead>
<tr>
<th>Property</th>
<th>Market</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cap Rate:</td>
<td></td>
<td>Percent adj.</td>
</tr>
<tr>
<td>Vacancy Loss:</td>
<td></td>
<td>Percent adj.</td>
</tr>
<tr>
<td>Credit Loss:</td>
<td></td>
<td>Percent adj.</td>
</tr>
</tbody>
</table>

**Cap Rate**
In order to change the cap rate, component properties must have a resale method with a cap rate selected on the Property Purchase and Resale window. If you selected the **Appreciate Purchase Price** resale option, you can use the **Cap Rate** field to enter growth rates.

**Vacancy Loss**
This field allows you to adjust all general vacancy loss methods except **Direct Input of Amounts**, which is a currency amount. An entry in this field will only apply to component properties in which a vacancy loss was entered.

**Credit Loss**
This field allows you to adjust all credit and collection loss methods except **Direct Input of Amounts**, which is a currency amount. An entry in this field will only apply to component properties in which a credit loss was entered.
**Adjustment Methods**

The selection on the drop-down list to the right of each field determines how ARGUS interprets the entry in the corresponding field. You may choose from the following options:

- **Percent Adjust**: This option adjusts the original values in component properties by the percentage entered. For example, if the cap rate is set at 5% and you enter 10 in the corresponding field, the resulting cap rate will be 5.5%.

- **Basis Point Addition**: This option adjusts the original values in component properties by the number of basis points entered. A basis point is equal to .01 (1/100th) of a percent. For example, if the cap rate is set at 5% and you enter 100, the resulting cap rate will be 6%. You can enter a negative amount to decrease the values.

- **Replace**: This option replaces the original values for components.

**The Market Tab**

The Market tab allows you to forecast adjustments to the cash flow for portfolios and their components that will be applied to the Market Leasing Assumptions upon expiration of leases.

<table>
<thead>
<tr>
<th>Property</th>
<th>Market</th>
<th>Initial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewal %</td>
<td>Percent adjust</td>
<td></td>
</tr>
<tr>
<td>Market Rent</td>
<td>Percent adjust</td>
<td></td>
</tr>
<tr>
<td>Months Vacant</td>
<td>Percent adjust</td>
<td></td>
</tr>
<tr>
<td>Tenant Improvements</td>
<td>Percent adjust</td>
<td></td>
</tr>
<tr>
<td>Leasing Commissions</td>
<td>Percent adjust</td>
<td></td>
</tr>
<tr>
<td>Rent Abatements</td>
<td>Percent adjust</td>
<td></td>
</tr>
</tbody>
</table>

**Renewal Percent**

This field allows you to adjust the renewal probability entered in the Market Leasing Assumptions and Renewal Probability categories in component properties. The methods available adjusting the renewal percent are the same as those available on the Property tab. See the previous section for a description of those methods.

**Market Rent**

This field allows you to adjust the market rent in component properties.

**Months Vacant**

This field allows you to adjust the number of months vacant in component properties.

**Tenant Improvements**

This field allows you to adjust tenant improvement amounts in component properties.

**Leasing Commissions**

This field allows you to adjust the leasing commissions in component properties.

**Rent Abatements**

This field allows you to adjust the rent abatements in component properties.

**Note**: Entries in the fields on this tab alter only the Market Leasing Assumptions.
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The Inflation Tab

The Inflation tab allows you to adjust inflation items. You can enter one value for each inflation item. Use the Method section to specify the adjustment method.

<table>
<thead>
<tr>
<th>Inflation Type</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td></td>
</tr>
<tr>
<td>General Inflation</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Revenues</td>
<td></td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td></td>
</tr>
<tr>
<td>Land/Acquisition Costs</td>
<td></td>
</tr>
<tr>
<td>Hard/Construction Costs</td>
<td></td>
</tr>
<tr>
<td>Soft/Development Costs</td>
<td></td>
</tr>
<tr>
<td>Office/Retail/Apartment</td>
<td></td>
</tr>
<tr>
<td>Reimbursable Expenses</td>
<td></td>
</tr>
</tbody>
</table>

Multiple Scenarios

If you wish to apply multiple scenarios to the Property Cash Flow reports, you must first create the scenarios. Once you have created the scenarios you wish to use, select the Multiple Scenarios option on the Scenario Calculation tab, and then choose Detail.

Available Scenarios

This area lists the available scenarios. Select scenarios using the following methods:

- Click on a scenario or click and drag across several contiguous scenarios.
- Hold down the CONTROL key and click on scenarios that are not contiguous.
- Hold down the SHIFT key and use the arrow keys to select contiguous items.

Once you have selected the scenarios, choose Include to move them to the Included Scenarios area. Also, you can double-click on a scenario to move it to the included area.
Included Scenarios
This area lists the scenarios that have already been selected. To remove scenarios, select them using one of the methods listed above, and then choose Exclude to move them back to the Available Scenarios section.

Note: Including only needed scenarios, rather than all scenarios, will save time during calculations.

Detail
To create scenarios from this window, you can access the Portfolio Scenarios category window by choosing Detail. See the Scenarios section in this chapter for more information.

Reports
You can print the following reports during calculation:

- Resale Report
- Present Value Report

To print these reports, select the corresponding check boxes.

Master Scenarios
In portfolios, master scenarios are groups of standard scenarios that allow you to match multiple scenarios to specific ARGUS properties at the same time. When you create scenarios, you will enter specific criteria that determine which scenarios affect which component properties.

To choose an existing master scenario to use in the portfolio, select the Master Scenarios option, and select the master scenario you wish to use from the corresponding drop-down list.

To create a new master scenario, you may choose Master Scenarios from the Portfolio menu, or you may choose Selection from the Portfolio menu, and then on the Scenario Calculation tab, select the Master Scenarios option and choose Detail. On the Master Scenarios category window, choose New.

You can use the Scenario Selection window to select existing scenarios to be included in the master scenario, or you can create new scenarios by choosing any item in the Available Scenarios section or the Included Scenarios section, and then choosing Detail.
Available Scenarios
The Available Scenarios section lists existing scenarios. Use one of the methods below to select the scenarios you wish to include in the master scenario.

- Click on a scenario.
- Click and drag across several contiguous scenarios.
- Hold down the Control key and click individual scenarios that are not contiguous.

Included Scenarios
The Included Scenarios section lists the scenarios that are included in the master scenario. The order of the listed scenarios is very important because ARGUS will search for the criteria in the order in which they are listed. If ARGUS does not find any component properties matching the selected criteria, then it will search for the criteria in the next scenario in the list. ARGUS will run the first scenario with criteria that match at least one of the component properties.

ARGUS will start with the first listed scenario and calculate the components that meet the criteria. ARGUS will then continue down the list of scenarios and calculate the remaining components that meet the specified criteria. No property will be calculated more than once and any property that does not meet the specified criteria will be calculated according to the default scenario, No Change.

To change the order of included scenarios, click a scenario and drag it to a new position in the list.

Impact Analysis
Impact Analysis allows you to generate a report that shows how modifying a single variable in ARGUS will affect the value of the portfolio. To perform an impact analysis, on the Scenario Calculation tab, select the Impact Analysis option and choose Detail.

Scenario Item
The drop-down list in the Scenario Item field lists the various items you can adjust from within a scenario. Select the item you wish to adjust.

Low
Enter the lowest rate to be applied to the selected item, and then use the field to the right to indicate whether you wish to adjust by the entered percentage or replace the item.

High
Enter the highest rate to be applied to the selected scenario item.
**Increment**
Use the Increment field to enter the value by which the entry in the Low field will increase within the indicated range.

**Discount Rate**
Enter the discount rate to be used in the value analysis of the portfolio.

**Reporting**
The Impact Analysis report is only available if you select Impact Analysis on the Scenario Calculation tab. To generate this report, choose Statistical Reports from the Reports menu. When the Statistical Reports window appears, choose Impact Analysis.

---

**Monte Carlo Simulations**
Monte Carlo simulations provide you with a way to analyze a large number of results generated by varying a few selected parameters across a defined range.

If you wish to use a Monte Carlo simulation to determine the value at risk in your portfolio, choose Monte Carlo on the Scenario Calculation tab, and then choose Detail.
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Parameter
Choose one of the options below to indicate the parameter you wish to use in the simulation.

- Cap Rate
- Vacancy Loss
- Credit Loss
- Renewal Percentage
- Market Rent
- Months Vacant
- Tenant Improvements
- Leasing Commissions
- Rent Abatements
- General Inflation

Minimum and Maximum
Enter the minimum and maximum rates you wish to use in your simulation as numbers greater than one (1). Note that the minimum must be less than the maximum.

Variance Method
Select one of the following variance methods:

- Percent Adjust
- Basis Point Addition
- Replace

Distribution
The selection in this field determines whether the parameter values used in calculations will be spread evenly across the range defined (Uniform), or whether they will fall into a bell-curve (Normal Bell).

Number of Values
Enter the number of values of the selected parameter you wish to calculate. Your entry must be greater than two, and less than ten thousand. Note that the number of calculations shown at the bottom of the window will be equal to the product of the number of values you enter.

Discount Rate
Enter the discount rate you wish to use in the simulation as a percentage.

Reporting and Distributed Calculations
This feature allows you to use a different calculation engine or engines when calculating Monte Carlo simulations. This means you can continue using ARGUS while the file is calculating on a different machine, or on several different machines. When you choose Statistical Reports from the Reports menu, ARGUS displays the Distributed Calculations window.

Use this calculation engine
Select this option to perform the calculations on your own computer. If you select this option, you must wait until the calculations are complete before you can continue working with the file.
ARGUS Multi-processing

If you have a network copy of ARGUS, you can use this option to perform the calculations using a different computer, or several different computers. This allows you to continue working while the file is being calculated on a different machine, or several different machines. This feature is especially useful if you are performing many calculations on large files.

Activating Other Calculation Engines

If you wish to use ARGUS Multi-processing to perform your Monte Carlo calculations, you must activate the multi-processing engine on the computers you will be using.

For each computer you wish to use for calculations, you must perform the following steps:

1. Choose the Windows Start button.
2. Choose Run.
3. Enter the path for your network copy of ARGUS, followed by the word "engine". For example, if your network ARGUS resides in a directory called "winargus" on the P drive, you would enter the command as follows:

   p:\winargus\ARGUS.exe engine

Activated engines will remain active for calculating other files until you restart them.

Using Multiple Calculation Engines

If you choose ARGUS Multi-Processing on the Distributed Calculations window, the following window will be displayed.

![ARGUS Distributed Calc - Waiting on ARGUS Servers](image)

The Utilizing field shows the number of calculation engines available for processing. This number is dependant upon the number of machines you have activated as described in the previous section, Activating Other Calculation Engines.

The Poll field allows you to specify the number of seconds allowed to elapse before ARGUS will check for finished calculation results. To change the number of seconds, enter the new number and choose the Set button.

Work on Another File

This button allows you to work on another ARGUS file while the current file is being calculated by the other calculation engines. If you choose this button, you will not be able to open the current file again until the calculations are complete.

Cancel/Clear Engine

This button clears the current file from the other calculation engines, allowing you to work with it immediately.
**Multi-Processing Progression**

When you use multi-processing to calculate Monte Carlo simulations, ARGUS will create a sub-directory in your ARGUS directory called *DistCalc*. Within this directory, there will be three sub-directories: Priority 1, Priority 2, and Priority 3.

All Monte Carlo simulations will be done using the Priority 2 sub-directory, which will have the following sub-directories: Done, Processing, Queue, and Source, as illustrated in the screen example below:

ARGUS will automatically move the file being calculated into the appropriate directories upon completion of each step of the calculations. Once the calculations are complete, ARGUS will overwrite the original file with the completely calculated one.

**Results**

Once the calculations are completed, the Monte Carlo Simulation report will display the 95% Confidence Interval Mean, the 95% Confidence Interval Maximum, the 95% Confidence Interval Minimum, the Parameters chosen in the Monte Carlo screen, the Mean, Standard Deviation, Minimum, and the Maximum.

**Consolidation Type Tab**

The Consolidation Type tab allows you to specify the type of report you wish to produce: Property, Tenant, Partner, or if you have the international version of ARGUS, UK.
Property Selection Tab

The Property Selection tab allows you to select the properties to be included in your portfolio. In addition to selecting all properties, or individual properties, you can select a group of properties by specifying a range.

Consolidating by Account Codes
To consolidate by the accounts codes entered in component properties, select the **Produce detailed revenues and expenses by Account Codes** check box. This option only affects the Scheduled Cash Flow from Operations report. If you select this option, ARGUS will consolidate revenues and expenses with identical names and account codes. Line items with different names or account codes will not be consolidated.

Selecting All Properties
Choose **All Properties** to include all properties in the same data directory as the portfolio.
Selecting Individual Properties
To select individual properties for the portfolio, choose the Selected Properties button, and then choose the Select button to display the Portfolio Property Selection window.

Available Properties
The left side of the window lists the available properties located in the current ARGUS directory. You can select properties using the following methods:

- Click on a property.
- Click and drag across several contiguous properties.
- Hold down the CONTROL key and click properties that are not contiguous.
- Hold down the SHIFT key and use the arrow keys to select contiguous items.

Once you have selected the properties, choose Include to move them to the Included Properties area. Also, you can double-click on a property to move it to the included area.

Included Properties
The right side of the window lists the properties that have been selected for inclusion in the portfolio. To remove properties, select them using one of the methods listed above, and then choose Exclude to move them back to the Available Properties section.
Consolidate Based on Percent of Property Items
Select this check box to consolidate the portfolio based upon the percentage of property items. If you wish to edit these percentages, choose the Edit button to display the Percent of Property Items window.

Note: This option is not available if you elect to consolidate partner cash flows.

Purchase Price Percentage
Enter a purchase price percentage. This will affect the purchase price only.

Resale Price Percentage
Enter a resale price percentage. This will affect the resale price only.

Resale Year
Enter the resale year as a four-digit number. This indicates that the property will be sold in that year. The cash flow will show a drop in income when the property is sold.

Percent Ownership
Enter the ownership percentage for each property. ARGUS will use that percentage of the cash flow and resale values.
To enter monthly ownership data, choose **Detail** while the field is active.

**Defining a Range of Properties**

To select a range of properties to include in the portfolio, on the Property Selection tab, choose the **Defined Range** button, and then choose **Edit**.

Enter the detailed ownership percentages in the corresponding cells on the detailed Percent Ownership window.
Portfolio Name
Enter the portfolio name, or part of the portfolio name to search for properties to be included in the portfolio. This field is not case sensitive. For a property to be included in the consolidation, the corresponding first letters in the portfolio name must match the letters you enter exactly.

Example
If you enter South as the portfolio name, only two of the examples below would be included in the portfolio.

<table>
<thead>
<tr>
<th>Portfolio Name</th>
<th>Included</th>
</tr>
</thead>
<tbody>
<tr>
<td>South West</td>
<td>Yes</td>
</tr>
<tr>
<td>South Central</td>
<td>Yes</td>
</tr>
<tr>
<td>North and South</td>
<td>No</td>
</tr>
</tbody>
</table>

Property Types
Click the check boxes next to the property types you wish to include in the portfolio. At least one property type must be selected.

Area Range
Enter the minimum and maximum square footage of properties to be included in the consolidation. If you leave either the Min or the Max field blank, there will be no minimum or maximum. If you make an entry in either of these fields, and select Hotels in the Property Type section, all hotels will be included in the portfolio.

The More Button
The More button allows you to access additional criteria you can use to select properties.

Enter the information for the property items you wish to include in the portfolio. These fields are not case sensitive. For a property to be included in the consolidation, the corresponding property information must match the characters you enter exactly.
Tenant Selection Tab

The Tenant Selection tab allows you to select the tenants to be included in your reports. In addition to selecting all tenants, you can select a group of tenants by specifying a range.

**Selecting All Tenants**

Choose the All Tenants button to report cash flows for all tenants in the portfolio components.
Defining a Range of Tenants

To select a range of tenants, choose the Defined Range button, and then choose Edit to display the Defined Range of Tenants window.

![Defined Range of Tenants window]

Note: The search criteria you use to define the tenant range are cumulative. A tenant must have all the items listed to qualify.

Tenant Name and SIC Code

These fields are not case sensitive. For a tenant to be included in the consolidation, the corresponding first letters must match the letters you enter exactly.

Ranges

The range fields allow you to enter the start and end dates, and area sizes (usually in square feet). If you leave one of these fields blank, that search criteria will not be used.

Tenant Types

The Tenant Type check boxes allow you to limit the type of leases selected. Select the check boxes next to the tenant types you wish to include. Note that options will only be included if the Option check box and the corresponding check box (Office, Retail or Industrial) is selected for the type of the option lease.
Partner Selection Tab

The Partner Selection tab allows you to select the partners to be included in your reports. In addition to selecting all partners, you can select a group of partners by specifying a range.

Selecting All Partners
Choose the All Partners button to report cash flows for all partners in the portfolio components.

Defining a Range of Partners
To select a range of partners, choose the Defined Range button, and then choose Edit to display the Defined Range of Partners window.

Partner Name and Account Code
These fields are not case sensitive. For a partner to be included in the reports, the corresponding first letters must exactly match the letters you enter.
Portfolio Purchase Price

The Purchase Price option on the Yield menu allows you to enter a portfolio purchase price that overrides the entries in the component properties. In addition, ARGUS will calculate and report a new portfolio-level unleveraged IRR based upon the override price. If you enter a portfolio-level debt note and choose to ignore component-level debt, ARGUS will calculate and report a corresponding leveraged IRR. For more information on ignoring component level debt, see the Calculation Switches chapter in this manual.

Portfolio Debt

The Debt Financing option on the Yield menu allows you to add debt notes to the portfolio. If you have the ARGUS Loan System, the Debt Financing category window will include a pre-existing note called Property component notes along with a predefined level of one (1). If you do not have the ARGUS Loan System, the level will not be included.

Note: If you choose to enter debt within a portfolio, you must also enter a PV rate in the portfolio. This can be used to override the PV rates entered in portfolio components, or it can be used only for the portfolio level of debt.

You cannot view, edit, or delete the pre-existing note from within the portfolio; any changes must be made in the individual property. To create a note in the portfolio, choose New on the Debt Financing category window.

See Chapter 18, Debt Financing, for specific information on entering debt notes.
Ignoring Component Level Debt in Portfolios

In addition to creating new debt notes in portfolio properties, you may also elect to have ARGUS ignore any existing debt within component properties. To do so, choose Calculation from the Options menu, and then select the following option on the Loan Statistics tab.

- Portfolio Debt
  - Ignore component level debt

If you choose this option in a portfolio that includes another nested portfolio with debt as a component, ARGUS will consider the nested portfolio as a component property, and as such, will exclude the debt in the component portfolio.

Present Value Discounting

The Present Value Discounting option on the Yield menu allows you to access the Present Value Discounting window. This window is the same in portfolios as in other property types, except that portfolios do not include Present Value As Of. Any values you enter in the portfolio will override the discount rates and methods entered in the individual properties. This window allows for multiple discount rates and uniform discounting for the entire portfolio. If portfolio components have different timing, you must enter overriding present value rates in the portfolio. For more information about present value discounting, see Chapter 19.

*Use this rate for portfolio debt and portfolio partnerships only*

Select this option to indicate that a rate is to be used for portfolio debt and portfolio partnerships only.

Portfolio Partners

This feature allows you to add partners at the portfolio level in place of any partners already added to component properties. To use this feature, you must consolidate the portfolio by property cash flows (choose Selection from the Portfolio menu, and then choose Property Cash Flows on the Consolidation Type tab). If you choose to consolidate using any other method, all portfolio partner features will be disabled.

Partner Menu Options

The various partnership menu options are available on the Yield menu.
**Equity Contributions**

To enter portfolio partner equity contributions, choose **Equity Contributions** from the **Yield** menu within the portfolio. The resulting Partner Equity Contributions window is the same as in other property types, with the exception that the **% Fixed** field and the **Non Cash** field are disabled. This is because cash contributions of partners to a portfolio are independent of the component properties and you cannot contribute non-cash items to a portfolio. For more information on the Equity Contributions window, see Chapter 21, *Partnerships*.

**Cash Flow Distributions**

To enter partner cash flow distributions, choose **Cash Flow Distributions** from the **Yield** menu within the portfolio. The resulting Cash Flow Distributions window is the same as in other property types. For information on Cash Flow Distributions, see Chapter 21, *Partnerships*.

**Resale Distributions**

To enter partner resale distributions, choose **Resale Distributions** from the **Yield** menu within the portfolio. The resulting Resale Distributions window is the same as that in other property types. For more information on the Resale Distributions window, see Chapter 21, *Partnerships*.

**Partner Groups**

To enter partner groups, choose **Partner Groups** from the **Yield** menu within the portfolio. The Partner Groups category window is the same as in other property types. Note that if you switch between consolidation types, the included partners will be cleared, though the group name will still be available. For more information on Partner Groups, see Chapter 21, *Partnerships*.

**Partner Levels**

To enter partner levels, choose **Partner Levels** from the **Yield** menu within the portfolio. The resulting Partner Levels window is the same as that in other property types. Note that if you change the consolidation type from property to partner, any labels previously created will be applied to distributions if the preference levels match. For more information on entering partner levels, see Chapter 21, *Partnerships*.

**Reporting**

In order for partnership information to be reported on the Cash Flow report, you must first choose **Property Level** from the **Reports** menu, and then choose the **Options** button corresponding to the Schedule of Cash Flows from Operations report. On the resulting window, select the **Include Partnerships** option on the Reporting Options tab.

**Partner Distributions Reports**

The Partner Distributions reports include the Cash Flow Summary, Partner Returns, and the Present Value report. These are the same as in other property types. To access these reports, choose **Partner Distributions** from the **Reports** menu.

**Reports**

Depending on the consolidation type selected, the report options below are available:

- Property Level
- Partner Distributions
- Individual Tenant
- Area Measures
- Supporting Schedules
- Graphs
- Input Assumptions
- Report Packages

**Note:** If you are using multiple scenarios, the **Reports** menu includes only the **Scenario Cash Flow** and **Input Assumptions** options. See the end of this section for more information about printing reports with multiple scenarios.
Calculating Portfolios

If you have never calculated a portfolio, or if you have made minor changes to a portfolio, you can use the AutoCalc option on the Reports menu to determine whether the file needs to be calculated and when to calculate the file. Depending upon the status of the file, the option may appear as follows:

- **AutoCalc On: Calc Not Needed**: If this option is displayed, it means that ARGUS will automatically calculate the file, but that calculation is not needed.

- **AutoCalc On: Needs to Calc**: If this option is displayed, it means that ARGUS will automatically calculate the file.

- **AutoCalc Off: Needs to Calc**: If this option is displayed, it means that ARGUS will NOT automatically calculate the file, but that it needs to be calculated in order to report accurate data.

- **AutoCalc Off: Calc Not Needed**: If this option is displayed, it means that ARGUS will not automatically calculate the file, and that no calculation is needed.

- **AutoCalc On: Must Calc**: This option, which is dimmed, or unavailable for selection, will be displayed when ARGUS requires that the file be calculated before reporting any data. For example, the option will be displayed before you calculate the file for the first time, or if you make a major change to the file, such as a change in the consolidation type.

Property Level Reports

You can access the property level reports by selecting the Property Level option from the Reports menu. The Property Level Reports window allows you to view or print property level reports individually, or in any combination. These reports are similar to single property reports with the following exceptions:

- **Schedule of Prospective Cash Flow**: This report shows only operations from the indicated years of the analysis. If a property's resale value is calculated in the year following resale, the additional year will not be reported as it would if the property were not a portfolio.

  If you selected Property Cash Flow as the consolidation type for an office property, the individual miscellaneous revenues, reimbursable and non-reimbursable operating expenses, and capital expenditures and reserves line items will be grouped together under the respective section heading, unless you elected to consolidate by account code. Apartment and hotel/motel properties will report their data under the corresponding section headings.

- **Consolidated Debt Service Summary**: This report consolidates debt for all components in one report. You cannot view individual notes at the portfolio level.

- **Sources and Uses of Capital**: This report totals all sources and uses of cash until all the properties are sold. If the properties have different timing, certain items may be reported in different sections of this report than they would when reported individually.

- **Prospective Property Resale**: ARGUS totals the resale amount for each property in the portfolio. The value may change significantly from year to year if the years of analysis for some properties end earlier than others.
Prospective Present Value Summary: This report combines the present value from the highest discount rate for each property if no values are entered into the Yield section of the portfolio property. This allows each property to be discounted at a rate reflecting the most conservative value for the property. The lowest present value for each property will then be combined in the final present value of the portfolio. No discount rate will appear on the consolidated Present Value report, as the rate can be different for each selected property.

If you enter a discount rate or range on the Present Value Discount window in the portfolio, the cash flow will be discounted using those rates and the selected method. This rate and method will be displayed on the report.

Partner Distributions
This report shows the cash flow distribution tracking by property.

Individual Tenants
This report shows the consolidated tenant results.

Area Measures
This report shows the portfolio area measures.

Supporting Schedules
You can access supporting schedules by selecting the Supporting Schedules option from the Reports menu and then selecting the schedule type. You can only select User Defined or Per Foot schedules when the portfolio consolidation type is Tenant.

Note: The Sort button on the Supporting Schedule window allows you to sort tenant supporting schedules. However, sorting is unavailable for regular consolidations.
**Scenario Variance Reports**

If you are using multiple scenarios, the Reports menu includes only the Scenario Cash Flow and Input Assumptions options. If you elected to print either the Resale or the Present Value report, a Print window will appear when you select the Scenario Cash Flow option; choose OK to print, or choose Cancel to continue without printing. The Scenario Selection window allows you to specify the scenarios in which you wish to report variances.

**First and Second Scenario**

Select the first and second scenarios you wish to include in the variance report.

**Scenario Variance**

Select the variance method you wish to use. The following methods are available:

- First Scenario minus Second Scenario
- Second Scenario minus First Scenario
- First Scenario as percentage of Second Scenario
- Second Scenario as percentage of First Scenario

**Frequency**

Select the frequency you wish to use. You may choose from the following frequencies: Annually, Monthly, or Quarterly.
CHAPTER 26

Unit Sales Properties

When you select Unit Sales as the property type on the Property Description window, the ARGUS menus will include options that relate to commercial real estate development.

The Unit Sales Property Menu

Many of the options on the Property menu display windows that are the same in unit sales properties as in other property types. These options include:

- Description
- Timing
- Area Measures
- Inflation Rates
- Escrow
- S-Curves
- Reference Dates
- Budgeting Account Codes

The windows displayed by the remainder of the options in this menu are slightly different and are described together in this section.

Revenue and Expense Windows: Common Fields

All the windows described in this section include the following fields:

- Name
- Account Code
- Amount
- Units
- Frequency
- Amount to Date
- Inflation
- Ref Account
- Notes

Name

You can enter up to 30 characters in the Name field on any revenue and expense window. This information prints on calculated reports exactly as you enter it.

Account Code

You can enter up to 12 characters in the Account Code field. This field is optional. Any account codes you enter will print on the Schedule of Prospective Cash Flow report when you select the Monthly with Annual Sum format or use the Print Codes for Annual, Monthly, and Quarterly option on the Cash Flow Options screen. Refer to Chapter 6, General Vacancy Loss, Credit & Collection Loss, & Budgeting Account Codes, for more information on account codes.
The **Amount** field allows you to define the amount of an item as a single value, or as a specific data entry method for entering detail, sub-lines, or an S-curve. Depending on the entry in the **Units** field, ARGUS interprets the entry in the **Amount** field as any of the following:

- **Non-detailed:**
  - Currency Amount ($ Amount)
  - Currency per Unit ($/Unit, Lot, Home or Slip)
  - Currency per Size ($/Foot, Meter, etc.)
  - Currency per Inventory Units (/$Inventory)
  - Currency per Un-built Units (/$UnBuilt)
  - Currency per Unit Built (/$Built)
  - Currency per Un-sold Unit (/$UnSold)
  - Currency per Sale ($/Sale)
  - Currency per Unit Started (/$Start)
  - Currency per Unit Completed (/$Compl)
  - Percentage Gross Sales Revenue (%Gross Sales)
  - Percentage Net Sales Revenue (%Net Sales)
  - Percentage Building Cost (%Bld Cost)
  - Percentage of Cash Flow Line (% of Line): This selection displays another window where you can enter percentages for individual line items.

- **Detailed:** Use this option to enter varying amounts for each month or year of the analysis.

- **Sub-lines:** Use this option to specify that an expense be comprised of any number of individual expenses. A sub-line can contain detail, but not other sub-lines.

- **S-Curve:** Use this option to spread 100% of a revenue or expense item over a series of months. For information on S-Curves, see Chapter 5, *Revenue and Expense Windows*.

### Amount Detail

When you choose **Detail** in the **Amount** field, the following dialog box appears.

Choose **Detail** to display the detail window for the item. For more information about entering detailed amounts, sub-lines, and S-curves, see Chapter 5, *Revenue and Expense Windows*.

### Units

The **Units** field determines how ARGUS interprets the entry in the **Amount** field. Use sub-lines to enter items requiring more than one unit. Select one of the following options from the drop-down list in the **Units** field:

- **Currency Amount:** If you select this option, ARGUS interprets the entry in the **Amounts** field as a specific currency amount. The *Currency* appears as it is defined in the *Currency Symbol* field on the Preferences window.

- **Currency per Unit:** If you select this option, ARGUS multiplies the entry in the **Amount** field by the entry in the **Size** field in the Property Size Area Measures category.
- **Currency per Size**: If you select this option, ARGUS multiplies the entry in the Amount field by the entry in the Size field in the Alt Prop Size Area Measure category.

- **Currency per Inventory Units**: If you select this option, ARGUS multiplies the entry in the Amount field by the number of completed units minus the number of units sold.

- **Currency per Unit Unbuilt**: If you select this option, ARGUS subtracts the number of completed units from the entry in the Property Size Area Measure category.

- **Currency per Unit Built**: Units built is the number of units that have been completed. This amount includes units that are completed before the analysis begins (the entry in the Completed to Date field). Units do not affect this amount until they are completed.

- **Currency per Unsold Unit**: If you select this option, ARGUS subtracts units that have been sold from the number of units in the Size field in the Property Size category, and then multiplies the results by the entry in the Amount field.

- **Currency per Sale**: If you select this option, ARGUS multiplies the entry in the Amount field by the number of units sold each month.

- **Currency per Unit Started**: If you select this option, ARGUS multiplies the entry in the Amount field by the number of units started each month.

- **Currency per Unit Completed**: If you select this option, ARGUS multiplies the entry in the Amount field by the number of units completed each month.

- **Percentage Gross Sales Revenue**: If you select this option, ARGUS applies the entry in the Amount field as a percentage of the gross sales revenue.

- **Percentage Net Sales Revenue**: If you select this option, ARGUS applies the entry in the Amount field as a percentage of the net sales revenue. Net sales revenue is the gross sales revenue minus the cost of sales. You can enter a percentage as a number greater than 1, or as a number less than 1 (5 or .05).

- **Percentage Building Costs**: If you select this option, ARGUS applies the entry in the Amount field as a percentage of the building costs entered on the Unit Development screen. Building costs include both the fixed and the variable costs. You can enter a percentage as a number greater than 1, or as a number less than 1 (5 or .05).

- **Percent of Line**: If you select this option, ARGUS displays a Percent of Line window where you can enter percentages of individual line items. The entry in the Amount field is used as the percentage when Percent of Line is selected as the unit of measure for the expense or revenue, unless direct input is made on the Percent of Line window. For more information on the Percent of Line window, see Chapter 5, Revenue and Expense Windows.

**Frequency**
The Frequency field determines how often to apply the entry in the Amount field. You may choose from the following options:

- /Year
- /Month
- /Quarter

ARGUS will spread the entry in the Amount field over the period specified in the Frequency field. This field is not used for detail or Percent of Line entries.
**Amount to Date**
Enter the whole currency amount for revenue or expense items occurring before the analysis start date. This amount will be used in determining unit cost allocations.

**Inflation**
All amounts inflate by the general inflation rate or a specific inflation rate entered in the **Inflation** field. The inflation method chosen on the Inflation Rates window determines when inflation is applied. If you leave the **Inflation** field blank, ARGUS will use the section inflation or general inflation rate.

To override the section or general inflation rate, enter a specific rate in the **Inflation** field. You can enter changing inflation rates by choosing **Detail** while the **Inflation** field is active.

To copy the entry in the current field into the fields to the right, choose **Extend**. ARGUS will use the general inflation rate for any Year fields left blank. If there is no inflation, enter a zero in the corresponding Year field.

**Reference Account**
The **Ref Acct** field allows you to enter an expense or revenue that will not appear on a Cash Flow report, but can be used as a basis for other calculations. The field can be referenced in percent of line calculations. The word Yes in this field indicates that the expense will not appear on the Cash Flow report. A blank space is equivalent to No and indicates that the field will appear on the Cash Flow report.

**Notes**
You can use the **Notes** field to enter notes and comments about the line item. To enter or edit notes, choose **Detail** while the **Notes** field is active.

**Development Costs**
There are three development cost windows:

- **Land/Acquisition Costs**: Use this window to enter costs for the land area or property acquisition and associated acquisition costs such as options and environmental assessment expenses.

- **Hard/Construction Costs**: Use this window to enter construction costs for the project such as building construction materials, water lines, sewer lines, electrical systems, plumbing, elevators, drainage, grading, and road building.

- **Soft/Development Costs**: Use this window to enter costs for items such as building permits, insurance, bonds, surveying fees, architectural fees, engineering fees, legal fees, construction management fees and developer's fees.
You can model various types of projects on the Development Costs windows. For example, you can use them to show building expansion, “finishing-out” a building, and constructing speculative buildings. In this type of analysis, you can include just the length of the project, and enter the costs as simple amounts spread over the construction of the project. Or, you can include later revenue generating periods, such as the construction of a shopping center, and the resulting 10 years of revenue from rent.

**Note:** You may enter a detailed amount for a one-time-only development cost that goes beyond the time it takes to construct or renovate the building. The one-time cost can be entered in a particular month, or in a total field to be spread throughout a year.

**Example**
This example shows a city economic development corporation that is expanding an industrial park and preparing a site for a new building. The non-profit corporation will not sell the property, but will lease it on a long-term basis. The existing area of the park is 150 acres, and the new portion is 30 acres. The land will cost $1.2 million and will need fill dirt, extensions to the main water and sewer lines, drainage improvements, an extension of an existing road, and an archeological evaluation.

Other costs include building permits, environmental permits, and surveying fees.

The land/acquisition costs are shown below. Notice that detail is used in the Amount field. This is because the item is a one-time cost and the Frequency field is not applicable. The amount detail is shown after the land costs.

<table>
<thead>
<tr>
<th>Land/Acquisition Costs</th>
<th>Name</th>
<th>Acct Code</th>
<th>Amount</th>
<th>Units</th>
<th>Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 Acre Site</td>
<td>Detail</td>
<td>$Amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Use of entries in this field is determined by the units and area measures entries. For changing amounts or sub-lines click on the Detail button.
Any one-time cost for a development project should be entered in this fashion or as a total amount that will be spread throughout the year.

![Land/Acquisition Costs - 30 Acre Site](image)

Items entered on the Land/Acquisition Costs window will appear on the Cash Flow report below the Total Revenue Before Costs line in the Land/Acquisition Costs section heading.

Items entered on the Hard/Construction Costs window will appear on the Cash Flow report below the Total Land Acquisition Costs line in the Hard/Construction Costs section heading.


**The Unit Data Menu**

You access the unit data windows using the corresponding menu options on the **Unit Data** menu. These options include:

- Unit Type Description
- Development Schedule
- Sales Schedule
- Costs Allocation

These windows are very similar and are described together in this section.
The Unit Type Description Window

To display the Unit Type Description window, select **Unit Type Description** from the **Unit Data** menu. You must enter at least one unit type on this window before you can access the other Unit Data windows.

**Left Side of the Unit Type Description Window**

<table>
<thead>
<tr>
<th>Unit Name/Description</th>
<th>Unit Size</th>
<th>Total Units</th>
<th>Holding Cost</th>
<th>Unit of Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>4,000</td>
<td>1</td>
<td>0.25</td>
<td>$/Foot/Mo</td>
</tr>
<tr>
<td>2</td>
<td>2,500</td>
<td>20</td>
<td>400</td>
<td>$/Foot/Mo</td>
</tr>
</tbody>
</table>

**Right Side of the Unit Type Description Window**

<table>
<thead>
<tr>
<th>Unit Name/Description</th>
<th>Rental Revenue</th>
<th>Unit of Measure</th>
<th>Rental Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1,200</td>
<td>$/Foot/Mo</td>
<td>80</td>
</tr>
<tr>
<td>2</td>
<td>100</td>
<td>$/Foot/Yr</td>
<td>75</td>
</tr>
</tbody>
</table>

The Unit Type Description window lists all unit types and information relating to those unit types such as size, number, holding costs, rental revenues, and rental occupancy. The **Unit Name/Description** field is fixed on the window; all other columns scroll left and right.

**Unit Name/Description**

You may enter up to 23 characters in the **Unit Name/Description** field. The unit name will be printed on unit reports exactly as you enter it here. Since report formats use upper and lowercase letters, you should use upper and lowercase letters to enter the unit name as well.

**Note:** Avoid using commas in the **Unit Name/Description** field if you will be exporting to Microsoft Excel using the .CSV file format. Commas may cause misalignment of columns.

**Unit Size**

Enter the size of the unit. ARGUS uses your entry to calculate revenue and expense items that are based on unit size. You cannot leave this field blank. You can enter fractional amounts. The **Unit of Measure** varies with the entry in the **Alternate Size Unit of Measure** field on the Unit Sales Description window.

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Unit Size</th>
<th>Unit Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,000</td>
<td>2,500</td>
<td>.50</td>
</tr>
</tbody>
</table>
Total Units
Enter the total number of units with this unit type. You cannot enter a decimal portion in this field. The number of units entered in the Size field in the Property Size Area Measures category does not limit the number of units that you can enter in this field.

Holding Costs
Enter the cost of holding one completed, but unsold unit. Holding costs do not apply to units that have not been started, that are in progress (not completed), or to units that have been sold. The selection in the Unit of Measure field determines how ARGUS will interpret your entry.

ARGUS uses the beginning inventory units to calculate holding costs. These costs are calculated on a monthly basis, even if the unit of measure is expressed quarterly or annually. Unless you enter detailed holding costs, ARGUS will inflate your entry by the general inflation rate. Detailed holding costs are not subject to inflation. If you enter detailed information, and the first date you enter is not the first month of the analysis, the holding cost will be zero until that date is reached.

Note: You should enter holding costs related to interest or financing expenses on the Debt Financing window.

Unit of Measure
The selection in this field determines how ARGUS interprets the entry in the Holding Costs field. You may choose from the options below.

- Currency per Size per Year
- Currency per Size per Month
- Currency per Size per Quarter
- Currency per Unit per Year
- Currency per Unit per Month
- Currency per Unit per Quarter

Note that the Size will be replaced by Foot, Acre, Yard, or Meter. The Unit may be replaced by Home, Lot, or Slip.

Example
Following is a list of some possible selections in the Unit of Measure field.

<table>
<thead>
<tr>
<th>Holding Cost</th>
<th>Unit of Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>$/Unit/Mo</td>
</tr>
<tr>
<td>150</td>
<td>$/Unit/Qtr</td>
</tr>
<tr>
<td>600</td>
<td>$/Unit/Yr</td>
</tr>
<tr>
<td>0.10</td>
<td>$/Foot/Yr</td>
</tr>
</tbody>
</table>

Note that all these entries, except the last, are equivalent.

Rental Revenue
Enter the revenue from renting one completed but unsold unit. Rental revenue does not apply to units that have not been started, are in progress (not completed), or that have been sold. The selection in the Unit of Measure field determines how ARGUS will interpret your entry.

Rental revenue is applied on a monthly basis, even if the unit of measure is expressed quarterly or annually. It is calculated for a month using the beginning inventory units. It will be inflated at the general inflation rate unless you enter detailed rental revenue.

To enter detailed information, choose Detail while the field is active. If you enter detailed information, and the first date you enter is not the first month of the analysis, no rental revenue will be produced until that date is reached.
Unit of Measure
The selection in this field determines how ARGUS interprets the entry in the Rental Revenue field. You may choose from the options below.

- Currency per Size per Year
- Currency per Size per Month
- Currency per Size per Quarter
- Currency per Unit per Year
- Currency per Unit per Month
- Currency per Unit per Quarter

Rental Occupancy
Enter the average percentage of units available for rental. Available units are determined by the beginning of the month inventory. If you leave this field blank, ARGUS assumes the occupancy is 100%. To enter detailed information, choose Detail while the field is active.

Example
In the example below, the first entry shows rental revenue for 50% of available units, the second for varying percentages of available units, the third for 75% of available units, and the fourth for 100% of available units.

The Development Schedule Window
To display the Development Schedule window, choose Development Schedule from the Unit Data menu. You cannot access this window until you have entered at least one line item on the Unit Type Description window.

Note: You can enter unit construction costs on the Development Schedule window, or on the Miscellaneous Expenses window. Normally you will enter costs on both windows, but be sure not to enter the same cost on both windows, as this will overstate the cost.

Left Side of the Development Schedule Window
Right Side of the Development Schedule Window

![Development Schedule Window](image)

**Unit Name/Description**
The Unit Name/Description field is related to the Unit Name/Description fields in the other Unit Data windows. If you make a change to the Unit Name/Description on the Development Schedule window, the change will be reflected on all Unit Data windows and related reports. Though you can change the unit name on this window, you cannot add new units, rearrange units, or delete units on this window. You must perform these operations on the Unit Type Description window.

**Begin Date**
Enter the date on which development of the unit begins. You may use the analysis start date or enter a date in the future. Dates prior to the analysis start date are not allowed. ARGUS interprets all begin dates as the beginning of the month. You may enter the date using the following methods:

- **Fixed Date:** Enter the month and year in which development begins (MM/YY).
- **Relative Date:** Enter the number of months from the analysis start date until the development will begin.
- **Reference Date Category:** Select a reference date category from the drop-down list in the Begin Date field. This type of entry allows you to base the beginning development date on an event, such as the beginning development or sales date of another unit type. For more information on Reference Date categories, see Chapter 5, Revenue and Expense Windows.

**Completed To-Date**
Enter the number of units that have been completed as of the analysis start date. These units will be placed in the beginning inventory as of the first month of the analysis, unless they have been sold prior to the analysis. Use one of the methods below to enter the number of completed units.

- **Number of Units:** Enter the number of units completed as a number greater than or equal to one. This amount cannot exceed the number you entered in the Total Units field on the Unit Type Description window and it cannot contain fractional units.

**Example**
On the analysis start date, Unit 1 has 2 units completed and Unit 2 has 10.

<table>
<thead>
<tr>
<th>Unit Name/Description</th>
<th>Completed To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit 1</td>
<td>2</td>
</tr>
<tr>
<td>Unit 2</td>
<td>10</td>
</tr>
</tbody>
</table>
- **Percentage of Units:** Enter the percentage of total completed units as a number less than 1 (.2 for 20%). If the percentage entered results in a fractional unit, ARGUS will round the number of units completed to the nearest full unit.

**Example**
On the analysis start date, Unit 1 has 8% of Total Units completed and Unit 2 has 15% of Total Units completed.

<table>
<thead>
<tr>
<th>Unit Name/Description</th>
<th>Completed To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit 1</td>
<td>0.08</td>
</tr>
<tr>
<td>Unit 2</td>
<td>0.15</td>
</tr>
</tbody>
</table>

**Start/Period**
Enter the number of units on which construction will be started in each period. Unless you enter detailed information, the number of units started will remain constant until all units have been started. To enter detailed information, choose **Detail** while the field is active.

**Period Type**
Choose one of the options below to define the type of the start period.

- Monthly
- Quarterly
- Yearly

ARGUS will convert the number of starts per period to the number of starts per month. Fractional starts are not allowed, and will be held until a full unit is accumulated. Once a full unit is accumulated, the unit will be started.

**Example**
In this example, ARGUS will divide 10 units/period by 3 months. This results in 3.33 units per month being started. Since ARGUS does not start fractional units, 3 units will be started in the first month and .33 units will be held until the next month. In the second month, there are 3.67 units to be started. Again, ARGUS will start 3 and hold .67 until the next month. In the third month, there are 4 whole units to be started. ARGUS will start all 4. There will be no additional units to hold until the next month.

**Months to Build**
Enter the number of months it takes to build a unit. This is the time between a unit start and a unit completion. If you enter a 0, a 1, or leave the field blank, the unit will be completed in the same month it is started.

**Fixed Cost**
The **Fixed Cost** field, which is optional, is where you enter the construction cost per unit. ARGUS uses this amount in addition to any cost entered in the **Variable Cost** field and spreads it evenly over the construction period entered in the **Months To Build** field. The cost will be inflated at the general inflation rate. To enter a different inflation rate, or to specify no inflation, use the detailed method of entry. To enter detail, choose **Detail** while the field is active.
**Variable Cost**

The **Variable Cost** field, which is optional, is where you enter the cost of building one foot (acre, yard, meter) of a unit. ARGUS uses this amount in addition to any cost entered in the **Fixed Cost** field and spreads it evenly over the construction period entered in the **Months To Build** field. The cost will be inflated at the general inflation rate. To enter a different inflation rate, or to specify no inflation, use the detailed method of entry. To enter detail, choose **Detail** while the field is active.

**Note:** You can enter unit construction costs on the Development Schedule window, or on the property level windows (Hard/Construction Costs and Miscellaneous Expenses), but you should not enter the **same** cost on both windows, as this will overstate the cost.

**Example**

The following example shows a unit type with 6,000 square feet. The cost per unit will be $10,500.  

\[ \$1,500 + (6,000 \times \$1.50) \] = $10,500

---

**The Sales Schedule Window**

To display the Sales Schedule window, select **Sales Schedule** from the **Unit Data** menu. You cannot access this window until you have entered at least one line item on the Unit Type Description window.

**Left Side of the Sales Schedule Window**

<table>
<thead>
<tr>
<th>Unit Name/Description</th>
<th>Begin Sales</th>
<th>Sales To Date</th>
<th>Sales/Period</th>
<th>Period Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 B/R1B</td>
<td>3</td>
<td>4</td>
<td></td>
<td>Quarter</td>
</tr>
<tr>
<td>2 Large Lot</td>
<td>7/37</td>
<td>1</td>
<td>6</td>
<td>Quarter</td>
</tr>
</tbody>
</table>

**Right Side of the Sales Schedule Window**

<table>
<thead>
<tr>
<th>Unit Name/Description</th>
<th>Begin Sales</th>
<th>Sales To Date</th>
<th>Sales/Period</th>
<th>Period Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 B/R1B</td>
<td>3</td>
<td>4</td>
<td></td>
<td>Quarter</td>
</tr>
<tr>
<td>2 Large Lot</td>
<td>7/37</td>
<td>1</td>
<td>6</td>
<td>Quarter</td>
</tr>
</tbody>
</table>
**Unit Name/Description**
The *Unit Name/Description* field is related to the *Unit Name/Description* fields in the other Unit Data windows. If you make a change to the *Unit Name/Description* in the Sales Schedule window, the change will be reflected on all Unit Data windows and related reports. Though you can change the unit name on this window, you cannot add new units, rearrange units, or delete units from this screen. You must perform these operations from the Unit Type Description window.

**Begin Sales**
Enter the date on which sales of the unit will begin. You may use the analysis start date or enter a date in the future. Dates prior to the analysis start date are not allowed. All begin dates are interpreted as the beginning of the month. Enter the date using one of the following methods:

- **Fixed Date**: Enter the month and year in which sales begin (MM/YY). You do not need to enter a leading zero for one-digit months.
- **Relative Date**: Enter the number of months from the analysis start date until sales will begin. For example, enter 12 to begin sales in the twelfth month of the analysis.
- **Reference Date Category**: Select a reference date category from the drop-down list in the *Begin Sales* field. This type of entry allows the beginning sales date to be based on some event, such as the beginning development or sales date of another unit type. For more information on Reference Date categories, see Chapter 5, *Revenue and Expense Windows*.

**Sales to Date**
The *Sales to Date* field is where you specify the number of units, or the percentage of total units, that have been sold as of the analysis start date. These units will be removed from the first month's beginning inventory. Enter the number of sold units using one of the methods below.

- **Number of Units**: Enter the number of units sold as a number greater than or equal to one. Fractional amounts are not allowed.
- **Percentage of Units**: Enter the percentage of total units that have been sold as a number less than 1 (.2 for 20%). If the percentage entered results in a fractional unit, the number of units sold will be rounded to the nearest unit.
- **Leave Blank**: Leave this field blank if none of the units have been sold as of the analysis start date.

**Sales/Period**
Enter the number of units that will be sold in each period. Unless you enter detailed information, the number of units sold per period will remain constant until all units have been sold. To enter detailed information, choose **Detail** while the field is active.

**Period Type**
Choose one of the options below to define the type of the sales period.

- Monthly
- Quarterly
- Yearly

ARGUS will convert the sales per period to the sales per month. Fractional sales are not allowed, and will be held until a full unit is accumulated. Once a full unit is accumulated, the unit will be sold.
**Sales Price**
Enter the sales price as a currency amount per unit (lot, home, slip) or as a currency amount per measurement unit (e.g., foot, acre, yard, meter). This amount will be inflated using the general inflation rate. For a sales price that changes over time, use the detail window. Detailed amounts will not be inflated. To enter detailed information, choose Detail while the field is active.

**Unit of Measure**
This field is where you specify the method to be used in determining the price. Select the method from the drop-down list in the field. The unit of measure for the sales price can be either per unit or per unit size. Note that the labels in this list will change depending on the selection on the Unit Sales Selection window.

**Sales Cost**
Enter the sales cost as the currency amount per unit (lot, home, slip) or as the currency amount per measurement unit (foot, acre, yard, meter). This amount will be inflated using the general inflation rate. For a sales cost that changes over time, use the detail window. Detailed amounts will not be inflated. To enter detailed information, choose Detail while the field is active.

**Unit of Measure**
This field is where you specify the method to use in determining the cost. Select the method from the drop-down list in the field. The unit of measure for the sales cost can be per unit, per unit size, or percent of price. Note that the labels in this list will change depending on the selection in the Unit Sales Selection window.

**The Costs Allocation Window**
The Costs Allocation window is optional. Any cost or revenue entered in the Unit Data section will be allocated directly to the unit that incurred the costs/revenue. This window allows you to allocate the property level costs and revenues (Miscellaneous Revenues, Miscellaneous Expenses and Development Costs) to the unit types. It also allows you to enter historical costs and revenues for the unit types. This cost information can be combined with revenues from the units to find the value of each individual unit type. This report is the Costs Allocation Report.

**Left Side of the Costs Allocation Window**

<table>
<thead>
<tr>
<th>Unit Name/Description</th>
<th>To Date Costs</th>
<th>To Date Revenue</th>
<th>Allocate Based On</th>
<th>Misc. Key</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Front</td>
<td>22,000</td>
<td>5,000</td>
<td>% Sales</td>
<td></td>
</tr>
<tr>
<td>3 B/2B</td>
<td>80,000</td>
<td>250,000</td>
<td>Detail</td>
<td>20</td>
</tr>
</tbody>
</table>

Press this button to close this window and return to the previous screen.
Chapter 26: Unit Sales Properties

Right Side of the Costs Allocation Window

The **Unit Name/Description** field is related to the **Unit Name/Description** fields in the other Unit Data windows. If you make a change to the **Unit Name/Description** on the Cost Allocations window, the change will be reflected on all Unit Data windows and related reports. Though you can change the unit name on this window, you cannot add new units, rearrange units, or delete units from this screen. You must perform these operations from the Unit Type Description window.

**To Date Costs**
Enter the amount of costs that were incurred before the analysis state date for building this unit type. Leave this field blank if no costs were incurred before the analysis start date. The cost you enter here is the to-date amount for the fixed and variable cost entered on the Unit Development screen. Any historical costs that are entered on a property level window should NOT be duplicated here. This amount is a total currency amount; it is not a per unit measure.

**To Date Revenue**
Enter the revenue received from this unit type as of the analysis start date. Leave this field blank if no revenue was received before the analysis start date. This amount is a total currency amount; it is not a per unit measure.

**Allocated Based On**
This field determines how the costs are allocated. Select one of the following methods from the drop-down list in the field.

- **Percent of Sales**: If you select this option, ARGUS uses the relative sales value of the units to allocate the cost. The sales value will be all sales revenues received during the analysis, plus any to-date revenue.

- **Percent of Net Sales**: If you select this option, ARGUS uses the relative net sales value of the units to allocate the cost. The net sales value will be all sales revenues received during the analysis, plus any to-date revenue, minus the cost of sales.

- **Percent of Cost**: If you select this option, ARGUS uses the costs entered on the Unit Development Schedule to determine the allocation percentage.

- **Number of Units**: If you select this option, ARGUS allocates the cost based upon the number of total units entered on the Unit Type Description window. This method should only be used if the unit types have similar costs.
- **Unit Size:** If you select this option, ARGUS allocates the cost based upon the total size of the unit type. The total size is calculated by multiplying the total number of units by the size per unit entered on the Unit Type Description window. This method should only be used if the unit types have similar costs per measurement unit.

- **Detail:** You can use detail to enter the allocation percentage for every section that will be allocated. When you enter detail, the following fields become available:
  - Miscellaneous Revenues
  - Miscellaneous Expenses
  - Debt Costs
  - Land Costs
  - Hard Costs
  - Soft Costs

Enter the percentage for each of the above items. You may enter percentages as numbers between 1 and 100 or less than 1. With this method, it is possible to allocate more or less than 100% of a cost.

**Purchase Price**

The Property Purchase Price window is used to determine the internal rate of return of the property and many of the financial ratios calculated by ARGUS Unit Sales. To display this window, select **Purchase Price** from the **Yield** menu.

This Property Purchase Price window allows you to select the initial investment in a property. You may choose from the following options:

- Total of all Land Acquisition costs in month 1
- Total of all Land Acquisition costs in month 1 plus 'to date' land costs
- Total of all Land Acquisition costs in month 1 plus ALL 'to date' costs
- Directly input purchase price

**Total of All Land Acquisition Costs in Month 1**

If you select this option, which is the default, ARGUS uses the amount paid for the land in month 1 of the analysis as the initial investment in the property. Any land acquisition costs after month 1 are not included in the initial investment, but affect the future cash flow used in the calculation of financial ratios.

To enter monthly amounts for land costs, select the **Land/Acquisition** menu option from the **Property** menu. Choose **Detail** while the **Amount** field is active. Enter the month 1 land costs on the detail window for the 1st month of the analysis.
Example
If the analysis begins in January and no other land costs are entered, the following entries would result in an initial purchase price of $1,500,000.

<table>
<thead>
<tr>
<th>Month</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>February</td>
<td>0</td>
</tr>
<tr>
<td>March</td>
<td>0</td>
</tr>
</tbody>
</table>

**Total of all Land Acquisition costs in month 1 plus 'to date' land costs**
If you select this option, ARGUS uses the amount paid for the land in month 1 of the analysis and all previous periods as the initial investment in the property. Any land acquisition costs after month 1 are not included in the initial investment, but affect the future cash flow used for the calculation of the financial ratios.

Example
If the analysis begins in March, and the main Land/Acquisition window contains an Amount to Date of $30,000 and the detail screen includes $500,000 in March and $200,000 in July of year 1, the initial purchase price of the property would be valued at $530,000. The $200,000 in July is not included in the purchase price, because it is not incurred during the first month of the analysis (March). The entries on the Land/Acquisition window and the detail amount window appear below.

**Land/Acquisition Window**

<table>
<thead>
<tr>
<th>Name</th>
<th>Amount</th>
<th>Units</th>
<th>Frequency</th>
<th>Amount To Date</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land1</td>
<td>Detail</td>
<td>$ Amount</td>
<td>$30,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Detailed Amount Window**

<table>
<thead>
<tr>
<th>Month</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>0</td>
</tr>
<tr>
<td>February</td>
<td>0</td>
</tr>
<tr>
<td>March</td>
<td>500,000</td>
</tr>
<tr>
<td>April</td>
<td>0</td>
</tr>
<tr>
<td>May</td>
<td>0</td>
</tr>
<tr>
<td>June</td>
<td>0</td>
</tr>
<tr>
<td>July</td>
<td>200,000</td>
</tr>
<tr>
<td>August</td>
<td>0</td>
</tr>
<tr>
<td>September</td>
<td>0</td>
</tr>
<tr>
<td>October</td>
<td>0</td>
</tr>
<tr>
<td>November</td>
<td>0</td>
</tr>
<tr>
<td>December</td>
<td>0</td>
</tr>
<tr>
<td>Annual Total</td>
<td>700,000</td>
</tr>
</tbody>
</table>

**Total of All Land Acquisition costs in month 1 plus all 'to date' costs**
If you select this option, ARGUS uses the amount paid for the land in month 1 of the analysis plus all costs incurred prior to the start of the analysis as the initial investment in the property.

Additional costs include any entries made in the Amount to Date field of any of the Development Costs, Miscellaneous Expenses, Miscellaneous Revenues windows, and any To Date Costs entered on the Costs Allocation window.
Example
This example shows an analysis beginning in March of 2001, with the following costs:

<table>
<thead>
<tr>
<th>Costs</th>
<th>To Date Costs</th>
<th>March 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miscellaneous Expenses</td>
<td>5,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Miscellaneous Revenues</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Land/Acquisition Costs</td>
<td>200,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Hard/Construction Costs</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td>Soft/Development Costs</td>
<td>15,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Costs Allocation</td>
<td>30,000</td>
<td></td>
</tr>
</tbody>
</table>

Based on the above entries, the initial purchase price of the property would be $749,000. This is based on $5,000 (Amount to Date Miscellaneous Expenses) - 1,000 (Amount to Date Miscellaneous Revenue) + $200,000 (Amount to Date Land/Acquisition Costs) + $500,000 (March 2001 Land/Acquisition Costs) + $15,000 (Amount to Date Soft/Development Costs) + $30,000 (To Date Costs from Costs Allocation).

**Directly Input Purchase Price**
If the purchase price is not based upon the land or other costs, you should use this option. This method allows you to enter a specific purchase price. After selecting this method, the Initial Purchase Price field becomes available. Enter the amount in total dollars. You can use the abbreviations K for thousands and M for millions. The amount entered here will not inflate.

**Note:** If there are no 'to date' costs in an analysis, options 1, 2, and 3 will all yield the same result. If the analysis begins sometime during the middle of a project, these three options may have results that vary widely. The option selected on this screen should correspond with the valuation technique desired by the appraiser.

**Subtracting Month 1 Land Costs from the Cash Flow**
If you do not want Month 1 land acquisition costs to be included in the cash flow, you can select this option. Keep in mind that if all land costs were entered on a Detail window in month 1, no land costs will be included on the Cash Flow report.
Debt Financing

The Debt Financing section is where you define the property's debt structure. There are two note types: Debt note and Draw note. Draw notes contain many features not available in Debt notes. Once you create a Draw note, you cannot change the note to a Debt note.

<table>
<thead>
<tr>
<th>Options</th>
<th>Debt Notes</th>
<th>Draw Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest only period</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Amortization period</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Multiple fundings</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Changing interest rates</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Interest rate paid can be different from rate charged, with a different rate on accrued interest</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Payment frequency other than twelve per year</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Offset payment by one month</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Interest calculated at beginning or end of month, or compounded semiannually (Canadian)</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Accrued interest reduction as a percentage of positive Cash Flow</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Prepayment penalties</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Participation on Cash Flow or resale</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Current balance of principal and interest draw</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Maximum draw</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Funding based upon costs</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Releases based upon sales</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Points &amp; fees</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Balloon date</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Debt Financing Categories

To create a note choose Debt Financing from the Yield menu, and then choose New on the Debt Financing category window. To create a Debt note, choose Debt Note; to create a Draw note, choose Draw Note.

Debt Notes

Debt notes are created in unit sales properties in the same manner in which they are created in other ARGUS property types. For more information on creating debt notes, see Chapter 18, Debt Financing.
Draw Notes

Draw notes are the most common note type used in a unit sales model. The Draw Note window appears when you select Draw Note on the Note Type window.

Note: When you are entering currency amounts on this window, you can use the abbreviations $K$ for thousands and $M$ for millions. For example: $1M = 1,000,000$.

<table>
<thead>
<tr>
<th>Draw Note Window</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note Name:</td>
</tr>
<tr>
<td>Start Date:</td>
</tr>
<tr>
<td>Current Principal Balance:</td>
</tr>
<tr>
<td>Amount to Fund:</td>
</tr>
<tr>
<td>Release Amount:</td>
</tr>
<tr>
<td>Rate Charged:</td>
</tr>
<tr>
<td>Points &amp; Fees:</td>
</tr>
</tbody>
</table>

*Note:*
You can enter up to thirty characters in the **Note Name** field. Though this field is optional, you should always enter a note name. You may use letters, numbers, and symbols.

The note name prints on Individual Loan & Debt Service Summary reports. It does not print on the Summary of Cash Flow from Operations.

**Start Date**
This field determines the calculation of almost all note results. It is not necessary to enter the note's original start date. However, if you use a date other than the original start date, your entries in all remaining fields should be based on the date you enter, and not on the original start date. If you leave the **Start Date** field blank, ARGUS will use the analysis start date. In this case, all remaining fields should be based on the analysis start date. Enter the start date using one of the following methods:

- **Fixed Date:** Enter the month and year in which the note begins (MM/YY). You do not need to enter a leading zero for one-digit months.

- **Relative Date:** Enter the number of months from the analysis start date until the note begins. For example, enter 12 to being the note in the twelfth month of the analysis.

**Current Principal Balance**
The **Current Principal Balance** field is where you enter the note's principal balance as of the note start date. Leave this field blank if the note has no outstanding principal balance as of the start date. The current principal balance is charged interest in the first month of the analysis. This reduces the amount that can be drawn during the analysis if the note has a maximum draw amount. The **Current Balance Interest Draw** field determines the accrued interest.
**Current Balance Interest Draw**

Enter the outstanding interest balance on the note as of the analysis start date. Leave this field blank if there is no outstanding interest balance on the analysis start date. The current balance interest draw is charged interest in the first month of the analysis, which reduces the amount that can be drawn during the analysis if the note has a maximum draw amount.

**Maximum Draw**

The entry in this field determines the maximum amount that this note will fund. ARGUS considers current balances of principal and interest draws in this limit. All interest is drawn until the note has financed the maximum balance. When the maximum balance is reached, there will be no more funding from this note. The note finances the amount of the maximum balance. Reductions in the note's balance before the maximum balance is reached have no effect on the maximum draw.

**Amount to Fund**

The entry in the **Amount to Fund** field determines the amount the note will finance. The **Unit of Measure** field to the right of the **Amount to Fund** field is where you specify the method you are using. Enter the amount to fund and select one of the following methods:

- **Currency Amount:** Enter the currency amount that the note will fund. The entire amount entered will be loaned on the note start date. You can also enter detailed amounts by choosing **Detail** while the field is active.

- **Currency per Unit Started:** The note funds this amount each time construction on a new unit begins. All unit types use this amount. With this method, the note continues funding until the maximum draw amount is reached or the development is financed.

- **Percent of Line:** This method allows the note to fund based upon the amount of a line item in another item. For more information on Percent of Line entries, see Chapter 5, *Revenue and Expense Windows*.

The note will finance the selected percentage of the selected items in the month the cost or revenue is incurred. The Gross Sales, Net Sales, Rental Revenue, and Miscellaneous Revenues would probably not be selected in this section. If they are selected, the entered percentage of these items will be loaned to the property.

You can override percentages entered in the **Amount to Fund** field on the Draw Note window by entering the desired percentage in the **Percent** field on the Percent of Line Entries window. You can enter values greater or less than one. (5 or .5 = 5%)
Release Amount
The release amount determines the amount from sales to be used toward payment of the note. There are four methods of release available. The Unit of Measure field is where you specify the method you wish to apply to the Release Amount field. Enter the release amount and select one of the following methods:

- **Currency per Unit Sold:** If you select this option, ARGUS releases the specified amount each time a unit is sold.

- **Percent of Sales Revenue:** If you select this option, ARGUS releases the specified percentage of sales revenue each time a unit is sold.

- **Percent of Net Sales Revenue:** If you select this option, ARGUS releases the specified percentage of net sales revenue. Net Sales Revenue is Sales Revenue minus Sales Costs.

- **Percent of Financed Cost:** If you select this option, ARGUS releases the specified percentage of the financed cost of one unit each time a unit is sold. The financed cost of a unit is the total amount drawn divided by the number of units started. Both of these values are calculated from the beginning of the financing period (note start date) to the period that the release takes place (unit is sold).

The financed cost per unit, which can change from period to period, will probably be greater during the first portion of the analysis when many of the expenses are incurred, but not many units have been built.

Rate Charged
Enter the annual interest rate charged on the note as a number greater than or less than one (12 or .12 = 12%). You may also enter detailed interest rates.

**Example**
The table below shows some possible entries in the Rate Charged field. The entry on the left is 10%, the one in the center is 14%, and the entry on the right is a detailed entry.

<table>
<thead>
<tr>
<th>Rate Charged</th>
<th>Rate Charged</th>
<th>Rate Charged</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>.14</td>
<td>Detail</td>
</tr>
</tbody>
</table>

**Rate Charged Detail**
To enter detailed interest rates, choose Detail while the Rate Charged field is active. This allows you to enter up to twelve different interest rates and the dates on which those rates take effect. The interest rate may not exceed 100%. Changes to the rate take place at the beginning of the month specified. For example, if you enter 13 in the Date field, the new rate charged will take effect at the beginning of the thirteenth month from the note start date.

**Date**
Enter the month and year in which the rate takes effect (MM/YY) or enter the number of months from the note start date until the rate is to take effect. You cannot mix fixed (MM/YY) and relative dates.

If the first date precedes the note start date, the note uses the corresponding rate as of the note start date. If you enter more than one date preceding the note start date, ARGUS uses only the last rate preceding the note start date as the beginning rate on the note. The note will incur no interest until the first date is reached.
Percent
Enter the interest rate charged on the note. ARGUS accepts rates entered as numbers greater than or less than one (12 or .12 = 12%).

Example
The interest rate in this example changes each year.

<table>
<thead>
<tr>
<th>Date</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>25</td>
<td>15</td>
</tr>
<tr>
<td>37</td>
<td>14</td>
</tr>
<tr>
<td>49</td>
<td>13</td>
</tr>
<tr>
<td>61</td>
<td>12</td>
</tr>
<tr>
<td>73</td>
<td>11</td>
</tr>
<tr>
<td>85</td>
<td>10</td>
</tr>
<tr>
<td>97</td>
<td>9</td>
</tr>
</tbody>
</table>

Rate On Accrual
The Rate on Accrual field is where you specify the value of the annual interest rate that the borrower pays on accrued interest. All interest will draw until the note reaches the maximum draw limit. Enter the rate as a number greater than or less than one (12 or .12 = 12%). If you leave this field blank, ARGUS uses the entry in the Rate Charged field to calculate the interest charge on the sum of accrued interest.

Detailed input allows you to enter up to twelve different interest rates and the dates on which those rates take effect. The interest rate may not exceed 100%. Changes take place at the beginning of the month specified. For example, if you enter 13 in the Date field, the new rate will take effect at the beginning of the thirteenth month from the note start date.

To enter detailed rates, choose Detail while the Rate on Accrual field is active. The procedures for entering detailed rate on accrual percentages are the same as those used to enter rate charged percentages.

Points and Fees
The Points and Fees field is where you specify the origination cost of the note. Any amount you enter is deducted in the beginning of the first period of the note.

Your entry can be a percentage of the maximum draw or a total currency amount. Entering a number less than or equal to 100 defines the entered amount as a percentage. Entering a number greater than 100 defines the amount as total currency. You can use the abbreviations K for thousands, and M for millions.

Example
In the example below, the entries on the left show percentages; the entries on the right show dollar amounts. For a note with a $100,000 maximum draw, these entries will produce the same amount of points and fees.

<table>
<thead>
<tr>
<th>Points &amp; Fees</th>
<th>Points &amp; Fees</th>
<th>Points &amp; Fees</th>
<th>Points &amp; Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>.20</td>
<td>20</td>
<td>20000</td>
<td>20K</td>
</tr>
</tbody>
</table>

Call or Balloon
The Call or Balloon field is where you specify the date on which the note is to end. Enter the month and year in which the call or balloon will take effect (MM/YY), or enter the number of months from the note start date until the call or balloon will take effect.
Present Value Discounting

In Unit Sales properties, the Present Value Discounting windows are similar to those in other property types. The main differences are in the available discount methods, which are discussed below. For more information on the Present Value Discounting windows, see Chapter 19, Present Value Analysis.

Discount Methods

The method you select will be printed at the top of all Prospective Present Value Summary reports.

Annually (Endpoint on Cash Flow)
Endpoint discounting will discount all cash flows from the end of the year they are received to the analysis start date. The cash flow for year 1 will be discounted to the start of the analysis. A short first year is discounted by adjusting for the number of months in the first year.

Annually (Midpoint on Cash Flow)
Midpoint discounting will discount all cash from the middle of the year they are received to the analysis start date. The cash flow for year one will be discounted six months if the first year is a full twelve months. A short first year is discounted by adjusting for the number of months in that short year.

Quarterly
Quarterly discounting will discount all cash flows from the end of the quarter they are received to the analysis start date. The cash flow for quarter one will be discounted one quarter, or three months, if the first quarter is not a partial quarter. A short first quarter is discounted by adjusting for the number of months in that short quarter.

Monthly
Monthly discounting will discount all cash flows from the end of the month they are received to the analysis start date. The cash flow for month one will be discounted one month.

Reporting
There are three different styles of Prospective Present Value reports. See Chapter 27, Reports and Graphs, for more information on selecting report styles.
**Calculation Note**
ARGUS does not adjust the discount rate for partial discounting periods. Instead, ARGUS adjusts the amount of time that is used to discount the future value. This can best be illustrated by using the following simple example. An annual rate of 12% is not the same as a 1% rate used every month of the year (12 times.) By adjusting the discount rate in this manner, the present value of the future cash flows is understated since there is no compounding. To account for this, ARGUS adjusts the time period that is used to discount the future value, and an accurate present value is the result.

The formula ARGUS uses is given below:

\[
PV = \frac{FV}{(1 + d)^{\frac{m}{n}}}
\]

- **PV** = Present value of the cash flow
- **FV** = Future value of the cash flow
- **d** = Annual discount rate
- **m** = Number of months in discounting period
- **n** = Number of months in a year

**Example**
A 12% discount rate is being used to discount the cash flows from an 18-month analysis. The discount method is annual end-point. The first 6 months of the analysis produce a $10,000 cash flow; months 7 through 18 produce a $20,000 cash flow. The formula would be as follows:

\[
PV = \frac{10,000}{(1+.12)^{\frac{6}{12}}} + \frac{20,000}{(1+.12)^{\frac{18}{12}}}
\]

\[
PV = 9,449 + 16,873
\]

\[
PV = 26,322
\]

**Unit Sales Report Data**
In unit sales properties, some report data may differ from that produced for other property types. For more information on ARGUS reports, see Chapter 27, *Reports and Graphs*.

**Property Level Reports**
ARGUS produces the data below in property level reports.

**Unit Sales Revenue**
The Unit Sales Schedule of Prospective Cash Flow report begins with the Unit Sales Revenue section. This section includes the Sales Revenue and the Selling Costs for the units. The total in this section is the Net Sales Revenue.

**Non-Sales Revenue**
This section includes rental revenue and any items on the Miscellaneous Revenue screen. The unit revenues are reported as Rental Revenue from Inventory. Miscellaneous Revenues are reported in the order they are entered and will follow the rental revenue.

**Total Potential Revenue**
This line is a sum of the Net Sales Revenue and the Total Non-Sales Revenue.
Miscellaneous Expenses
This section includes holding costs entered on the Unit Type Description window and expenses entered on the Miscellaneous Expenses window. These items are listed in the order in which they were entered.

Total Revenue before Costs
This section deducts the Total Miscellaneous Expenses from the Total Potential Revenue.

Debt Service
The Debt Service section of the Schedule of Prospective Cash Flow reports the property debt information. If no debt information was entered for a property, the report will not include this section. If a property has debt service, some or all of the following items may appear on the Cash Flow report.

- Interest Payments
- Principal Payments
- Origination Points & Fees
- Accrued Interest Reduction
- Additional Principal Payments
- Balloon Payments

Each of these items is described in greater detail below.

- **Interest Payments**: This amount is the sum of all interest paid on all notes. This amount does not include accrued interest reduction or contingent interest.

- **Principal Payments**: This amount is the sum of all principal reductions on all notes. This amount does not include other payments or balloon payments.

- **Origination Points & Fees**: Origination points and fees occur at the beginning of a note. The total amount for a note always appears in the note's first month only.

- **Accrued Interest Reduction**: Accrued interest reduction results when a portion of the cash flow is used to reduce the amount of accrued interest.

- **Additional Principal Payments**: This amount is the sum of all other payments of all notes.

- **Balloon Payments**: This amount is the sum of all retirement of notes at their balloon or call date. All notes balloon at the end of the analysis.

Total Debt Service
Total Debt Service is a total of the debt lines described above. This amount is deducted from the Total Revenue Before Costs.

Unit Construction Costs
The Unit Construction Costs include the costs entered on the Unit Development Schedule window. Fixed and variable costs are combined into one line on the Cash Flow report. Detail for fixed and variable costs is available in the Supporting Schedules.

Land/Acquisition Costs
This report includes the data from the Land/Acquisition Costs window. The individual sub-lines are usually property or building purchases. They may also be for site preparation costs.

Total Land/Acquisition Costs
This is the total of all Land/Acquisition sub-lines previously listed.
**Note:** Month 1 land costs will not be included in Land/Acquisition Costs if you selected the *Subtract month 1 Land Costs from Cash Flows* option on the Purchase Price window. See the “Purchase Price” section in this chapter, for more information.

**Hard/Construction Costs**
These costs relate to construction of buildings, site preparation, and renovation or remodeling.

**Total Hard/Construction Costs**
This line shows the totals of the Hard/Construction Cost sub-lines.

**Soft/Development Costs**
These are costs for intangible items that are necessary for a development such as permits, surveyor fees, environmental or geological impact studies, etc.

**Total Soft Development Costs**
This line shows the totals of the Soft/Development Costs sub-lines.

**Total Development Costs**
This section includes the total of Unit Construction Costs: Land/Acquisition, Hard/Construction and Soft/Development Costs.

**Cash Flow After Debt Service But Before Income Tax**
This line is the Total Revenue Before Costs minus the Total Debt Service and minus the Development Costs. This amount is used to calculate Leveraged Present Value.

**Depreciation and Taxes**
The following Depreciation and Tax reports are available when you select the Depreciation & Taxes option from the Reports menu.

- Income Statement
- Depreciation Schedule

**Income Statement Report Data**
This report is similar to the Cash Flow report. However, unlike the Cash Flow report, the Income Statement can include depreciated amounts for several items instead of the total expense of the item. It also shows taxable income and income after taxes.

**Land/Hard/Soft Costs**
These lines show the depreciation on items from the Development Cost Property Level windows. Land costs generally reflect building or property purchases. Hard costs are construction costs of tangible items such as buildings, roads, and renovations. Soft costs are costs for intangible items such as building permits, environmental surveys, and hazardous material abatement.

**Land/Hard Soft Cost Totals**
These lines follow each of the Land/Hard/Soft Cost sections. They reflect the totals for the sub-lines in each section.

**Property Costs**
This is the cost from the Property line in the Depreciation and Taxes window. It shows the depreciation of the initial purchase price using the method selected in the Depreciation and Taxes window.
**Taxable Income**
This is the Total Potential Revenue minus the Cost of Goods Sold and depreciation on Debt Interest and Building Cost.

**Income Tax Expense**
This section shows the Taxable Income multiplied by the Ordinary Income Tax Rate from the Depreciation and Taxes window.

**Income After Taxes**
The Income After Taxes is the Taxable Income minus the Income Tax Expense.

**Depreciation Schedule**
This report lists the line items from the Depreciation and Tax window. The amount to depreciate is located in the *Basis* column. Depreciation will be calculated for each time period of the analysis if the item has not reached the end of its useful life as specified on the Depreciation and Taxes window.

**Frequency**
The following frequencies are available on the reports.
- Annually
- Monthly
- Quarterly

**Partner Distributions**
The following Partner Distribution reports available.
- Cash Flow & Summary
- Partner Returns
- Present Value

**Cash Flow & Summary Report Data**
This report displays several items that are related to tracking the cash flow contributions and disbursements for partners.

**Equity Contributions**
This line reflects the equity a specific partner has invested.

**Cumulative Equity**
This line shows the cumulative amount of the partner equity contributions.

**Adjusted Equity**
If the Reduced Equity field is set to yes on the Cash Flow Distribution window, then this line shows the equity minus the distribution for that time period. The numbers in the line item are cumulative.

**Distributions**
The amount paid out to a partner from the entries in the Cash Flow Distribution window.

**Cumulative Distributions**
The cumulative amount of the distributions made to a specific partner.

**Unpaid Distributions**
The distributions due to the partner that were not paid due to a lack of funds available in the cash flow.
**Interest**
The interest on the unpaid distributions.

**Partner Returns Report Data**
This report shows specifically what cash was returned to the partners and the time it was returned

**Equity Investment**
This is the cash invested by a partner in the property.

**Cumulative Investment**
This line shows the cumulative amount of cash invested by a partner.

**Taxes**
This is the total amount of income tax paid on the partner distribution. Taxes are split based on the cash received.

**Cash Distributed**
This line shows the cash returned to the partner throughout the time period of the report.

**Net Inflow**
This line shows the results from the following equation:

\[
\text{Cash Distributed} - \text{Taxes} - \text{Equity Investment} = \text{Net Inflow}
\]

**Cumulative Inflows**
This line is the cumulative percentage of the annual return.

**Internal Rate of Return**
ARGUS determines the internal rate of return (IRR) based on a specific partner’s contributions and distributions. This IRR is only calculated on an annual basis. If the selected present value discounting method is *monthly* or *quarterly*, ARGUS calculates it as *annually* (Endpoint on Cash Flow).

**Present Value Report Data**
The Present Value report displays several items relating to a partner’s cash flow and distribution. It is similar to the Property Level Present Value report.

The items included in the report are:

- Annual Cash Flow
- P.V. of Cash Flow @ Percentage Rate
- Total Cash Flow
- Total Present Value

**Individual Loan & Debt Service Summary**
The Individual Loan & Debt Service Summary contains all of the note's information, plus many ratios. Report lines do not print if no information is available for them. Once the property is sold, there will be no information on this report, as all notes balloon when the analysis ends. This report is available monthly, quarterly, or annually.
**Minimum Debt Service**

The Minimum Debt Service section contains interest payments and scheduled principal payments only. Interest Payments do not include accrued interest reductions or contingent interest. Principal Payments do not contain additional payments, releases from sales, or the balloon payment. The Total Minimum Debt Service line is the sum of Interest Payments and Principal Payments.

**Fees & Contingencies**

The Fees & Contingencies section reports origination points and fees. If the note does not have original points and fees, this section does not appear on this report.

**Reductions & Retirement**

This section contains the accrued interest reduction, additional principal payments, the releases from sales, and the principal balloon or call. The additional principal payments are entered on the Debt Financing window in the Other Payments field. If the note does not have a balloon date, or the balloon date is after the analysis, the note balloons automatically when the analysis ends.

**Total Cash Flow Paid To Lender**

This line is a sum of Total Minimum Debt Service, Total Fees and Contingencies, and Total Reductions and Retirement. This represents the total amount that should be received by the lender.

**Principal Balance Summary**

This section shows the amount of the principal balance. All changes to the principal balance are reported here. The Beginning Principal Balance line is the Ending Principal Balance from the previous period. If the amount to fund increases, it is reported on the next line, Additional Principal Fundings.

Additional fundings are entered on the Debt Financing window by entering detail in the Amount to Fund field. The Periodic Principal Reductions line is the same as the Principal Payments line in the Minimum Debt Service section of this report.

The Accrual Posted to Principal line shows the amount of accrued interest remaining when the note begins to amortize, and the amount of accrued interest when the note balloons. The Additional Principal Payments line shows entries in the Other Payments field on the Debt Financing Advanced window.

Principal balloon payments occur if the note has a call or balloon date, or if it has principal remaining when the property is sold in the final year of the analysis. The Ending Principal Balance is the Beginning Principal Balance plus all previously listed items.

**Accrued Interest Balance Summary**

The Beginning Accrual Balance is the amount of accrued interest at the beginning of the period. Accrued Interest is the amount of interest that accrued during the current period. Accrued Interest Reduction is the amount of accrued interest that was reduced by the Cash Flow of the property or by releases from sales. Reductions from the property Cash Flow are controlled by the Percent Cash Flow Pays Accrual field on the Debt Financing Advanced window. Accrual Posted to Principal is the amount of accrued interest remaining when the note begins amortization or ends. This amount is transferred to the principal balance.
**Total Outstanding Balance**

The Total Outstanding Balance is the amount owed to the lender. This is the sum of the Ending Principal Balance and the Ending Accrual Balance. This section is reported only when the note has accrued interest.

**Interest Rates**

The Interest Rate on Principal is the interest rate from the Rate Charged field. The Scheduled Interest Rate Paid is from the Rate Paid field. The Interest Rate on Accrual is from the Rate on Accrual field. All of these rates can change on a monthly basis. Monthly reporting is the most accurate way to track changing interest rates. The Rate Paid and the Rate on Accrual only print when interest is accruing.

**Cash Flow Coverage Ratios**

The Cash to Total Interest Charged is the Total Revenue before Costs divided by the Interest Payments. The Cash to Minimum Debt Service is the Total Revenue before Costs divided by the Total Minimum Debt Service.

**Loan to Value Ratios**

The Loan to Purchase Price is the Beginning Principal Balance divided by the Purchase Price entered on the Property Purchase Price window. The Loan to Lowest Present Value is the Beginning Principal Balance divided by the lowest present value. The lowest present value displays on the Prospective Present Value report. The Loan to Highest Present Value is the Beginning Principal Balance divided by the highest present value. If there is only one discount rate, there will be one line titled Loan to Present Value.

**Lenders Yield (IRR)**

The Yield to Maturity is a monthly internal rate of return for the note. If the note begins before the analysis, the yield is calculated from the start of the analysis. If the note starts after the analysis, it is calculated from the Note Start Date. The Base Yield to Maturity and the Yield Including Fees & Penalties use the Beginning Principal Balance as the initial investment. In Draw notes, the initial investment is the sum of the Current Principal Balance, Current Balances Interest Draw, and the Loan Draw for month one of the note. The incoming flow is composed of the following items:

- Minimum Debt Service
- Additional Funding
- Additional Payments
- Accrued Interest Reductions
- Releases from Sales
- Balloon Payment

The Yield Including Fees & Penalties adds Origination Points to the income stream.

**Sources & Uses of Capital - Cash Returns**

This report describes the inflow and outflow of funds to the property and ends in the final year of the analysis. The report is available annually, monthly, or quarterly.

**Sources of Capital**

The Sources and Uses of Capital report includes the sources of capital below.

- **Net Operating Gains:** This amount is the Total Revenue Before Costs amount from every reporting period in which it is positive.

- **Debt Funding Proceeds:** This amount includes the outstanding loan balances and accrued interest amounts at the beginning of the analysis plus additional draws of funding and new notes' Beginning Principal Balances.
**Initial Equity Contribution:** This line is the Property Purchase Price, minus the Beginning Principal Balances and Accrued Interest of all notes in the first month of the analysis.

**Defined Sources of Capital:** This line includes the Net Operating Gains, the Debt Funding Proceeds, and the Initial Equity Contribution.

**Required Equity Contributions**
This line is the Defined Uses of Capital less the Defined Sources of Capital. If the Defined Sources of Capital is greater than the Defined Uses of Capital, this line is not reported.

**Total Sources of Capital**
This is the sum of Defined Sources of Capital and the Required Equity Contributions. This line equals the Total Uses of Capital line.

**Uses of Capital**
The Sources and Uses of Capital report includes the uses of capital below.

- **Property Purchase Price:** The Property Purchase Price may be derived by several different methods. It may be calculated based on the entry in the Initial Purchase Price field in the Purchase Price window, by the first month land costs, the first month land costs plus to date land costs, or the first month land costs plus all to date costs.

  If no information has been entered for any of these items, this line does not appear on the report. It is replaced by the Property Present Value line.

- **Net Operating Loss:** This amount is the Total Revenue Before Costs amount from every reporting period that it is negative.

- **Property Present Value:** This line is based on the discount rate entered in the Present Value Discounting window. This line is only reported if there is no determinable Property Purchase Price.

- **Total Debt Service:** This line reports the property's total debt service.

- **Unit Construction Costs:** This line includes the total of the costs entered on the Development Schedule window.

**Defined Uses of Capital**
This item includes the Property Purchase Price/Property Present Value, the Total Debt Service, and the Unit Construction Costs.

**Cash Flow Distributions**
This line is the Defined Sources of Capital minus the Defined Uses of Capital. If the Defined Uses of Capital is greater than the Defined Sources of Capital, this line is not reported.

**Total Uses of Capital**
This is the sum of the Defined Uses of Capital and the Cash Flow Distributions line. This line will equal the Total Sources of Capital line.

**Unleveraged Cash on Cash Returns**
The Cash to Purchase Price is the Total Revenue Before Costs less the Total Development Costs divided by the Property Purchase Price. These items are reported on the Cash Flow report.
Leveraged Cash on Cash Returns
The Cash to Initial Equity is the Initial Equity Contribution divided into either the Required Equity Contributions or the Cash Flow Distributions, depending on which is reflected in that Cash Flow year. If it is the Required Equity Contribution divided by the Initial Equity Contribution, then the Cash to Initial Equity will be reflected as a negative percentage.

Unleveraged Internal Rate of Return
The Unleveraged Internal Rate of Return uses the Property Purchase Price as the initial investment. The Total Revenue Before Costs line represents the incoming Cash Flow. This calculation can be done annually, monthly or quarterly depending on the entry in the Discounting Method field on the Present Value Discounting window.

Leveraged Internal Rate of Return
The Leveraged Internal Rate of Return uses the Initial Equity Contribution as the initial investment. The incoming Cash Flow is based on the Required Equity Contribution line or the Cash Flow Distribution line from the Schedule of Sources & Uses of Capital report. This calculation can be done annually, monthly or quarterly depending on the entry in the Discounting Method field on the Present Value Discounting window.

Prospective Present Value Summary
The Prospective Present Value Summary has options that are accessible by clicking on the Options box adjacent to the Prospective Present Value Summary report selection box.

- Report Style
- Reporting Units
- Leveraged or Unleveraged
- Report Footnotes

Report Style
There are three styles available:

- With Annual Detail
- Without Annual Detail
- With Annual Accumulation

With Annual Detail
This report allows the easiest tracking of the discounting and total present value because the discounted value for every period is reported separately.

The rows of the main section of this report reflect each period of the analysis. The ending month and year for each period are also given in the second column. The third column contains the non-discounted value of each period's Cash Flow. Each subsequent column reflects the value of this Cash Flow discounted at the selected rate.

At the bottom of this report, the Cash Flows are summed. The total discounted value is then given as the Total Property Present Value.

This amount is rounded to thousands and double underlined. The following line is the value of the property given per unit. The number of units (homes, lots or slips) is taken from the Property Size Area Measure. The Value of the Equity Interest is then added to the debt balance as of the analysis start date to determine the Total Leveraged Present Value.
Without Annual Detail
This report type displays the selected Discount Rates on the left side of the report. Each row of the report will reflect a different discount rate. The next column displays the Discounted Cash Flows. The Cash Flows are totals from the entire duration of the analysis.

The Total Discounted Value is divided by the Property Size to determine a Total Value per Unit (home, lot, or slip). The Total Discounted Value is divided by the Alt. Property Size to determine the Total Value per Foot (acre, yard, or meter).

The standard industry name for this report is a single-term DCF.

With Annual Accumulation
Each row of this report style represents a different discount rate. It contains the Cumulative Discounted Cash Flow from every year of the analysis. The last column of this report style will reflect the same value as the Without Annual Detail Present Value Cash Flow column.

Reporting Units
You can select any of the following three reporting units:

- Whole Currency
- Currency per Property Size
- Currency per Alternate Property Size

Leveraged or Unleveraged
This option allows you to view leveraged, unleveraged, or both leveraged and unleveraged information.

Footnotes
The Report Footnotes check box allows you to include or exclude footnotes on the report. To enter or edit footnotes, click the Edit button.

Property Summary Report
This report provides data including Timing and Inflation, Property Size, Debt Financing, Property Purchase, and Present Value Discounting.

Individual Unit Cash Flow & Summary
If you select the Individual Unit option from the Reports menu, the Individual Unit reports window appears. The window includes the sections below.

- **Units**: This section includes the units from the Unit Data windows. You may choose one unit, a combination of units, or all units to appear on the report.

- **Reports**: This section contains the type of reports available for the units. The available reports are the Cash Flow and Summary report and the Costs Allocation report.

- **Style**: This section determines what the reports will be based on: Whole Dollars, Dollars per Unit, or Dollars per Size.

- **Frequency**: This section determines whether the report will be calculated on a yearly, monthly, or quarterly frequency.
Cash Flow & Summary Report Data
The Individual Unit Cash Flow & Summary is available monthly, quarterly, and annually. There is also a total Cash Flow report that totals all items from all units. Each line item is reported for each unit, even if the line item is not applicable to that unit. This results in a standardized report for all units. Following the title line, this report includes the name of the unit, the number of units, and the unit size.

Unit Potential Gross Revenue
This section contains the Sales Revenue and the Rental Revenue from the unit type.

Unit Costs
This section contains Construction, Holding, and Selling Costs. The Construction Cost represents the fixed and variable costs entered on the Unit Development Schedule window.

Total Potential Net Cash Flow
This line is the Total Potential Gross Revenue minus the Total Unit Costs.

For This Group of Units
The first section describes the unit's inventory information.

- **Units Started:** This line is informational only. It does not effect the inventory.

- **Beginning Inventory:** This line reports the number of units in inventory at the beginning of the period.

- **Units Completed:** This line reports all units finished during the period. This figure increases the inventory.

- **Units Sold:** This line reports all units sold during the period. This figure decreases the inventory.

- **Net Inventory Change:** The net inventory change is the number of Units Completed minus the number of Units Sold.

- **Ending Inventory:** This line reports the Beginning Inventory plus the Units Completed minus the Units Sold.

- **Construction Costs per Unit:** This line reports the construction cost per unit as entered on the Development Schedule window. It is only included when a unit is started during the period.

- **Gross Sales Revenue per Unit:** This line reports the sales cost per unit. It is only included when a unit is sold during the period.

Individual Unit Type Costs Allocation
This report allocates the costs, expenses and the miscellaneous revenues of the property to each of the unit types. If there is only one unit type, this report is not useful for determining the allocation. With multiple unit types, the costs, revenues, and profits are determined by unit type. This report also provides a useful summary of all costs that occur during the analysis.

There are two blocks of information on this report. The first block is the total dollar amounts of the allocation. The second block is the relative percentages of the dollar amounts that were allocated. The first block is summed to give the Total Allocated Costs. This amount may be different from the Actual Cost, which is displayed on the next line. The Percent Allocated is the last line of the first block. This line shows the under or over allocation of any item.
All unit types are listed on the left. Each unit type has its own line. The columns represent the different revenue, expense, and cost items that are allocated. The only column that is not allocated based upon entries in the Costs Allocation screen is the first column, Unit Construction Costs. The amounts in this column are taken directly from the Unit Development Schedule and applied to the unit type that incurred the cost.

**Supporting Schedules**
The various supporting schedules are available by selecting Supporting Schedules from the Reports menu. The supporting schedules are:

- Standard Supporting Schedules
- Supporting Schedules by Unit
- Supporting Schedules by Size

**Frequency**
All supporting schedules are available on an annual, monthly, or quarterly basis as indicated by the radio button in the Frequency section at the bottom of the report selection window. Annual reports are the default.

**Standard Reports**
All reports in this section follow the same format with the exception of the first four reports. The first four reports are inventory schedules. The remaining reports are currency schedules. The standard schedules available are:

- Units Started Schedule
- Units Completed Schedule
- Units Sold Schedule
- Units Inventory Schedule
- Fixed Construction Costs
- Variable Construction Costs
- Total Construction Costs
- Holding Costs
- Sales Revenue
- Rental Revenue
- Sales Costs
- Net Sales Revenue
- Gross Revenue

Some of the standard reports may not be available if the analysis does not have any information for that particular item. The standard reports are formatted on a whole currency basis.

**Per Unit Reports**
Supporting Schedule reports also may be created on a per unit basis. Select Per Unit from the Supporting Schedules menu option on the Reports menu. The same reports available for Standard Supporting Schedules are available for Per Unit Supporting Schedules.

**Per Size Reports**
Select Per Size from the Supporting Schedules menu item from the Reports menu to create reports based on the unit size. The same reports available for Standard Supporting Schedules are available for Per Size Supporting Schedules.
CHAPTER 27

Reports and Graphs

This chapter describes the reports you can produce using ARGUS, the calculations used in those reports, and the graphs that you can create from those reports. The reports are described with an office and retail property as an example. With a few noted differences, reports for other property types will be similar.

**Note:** The *Stacking Plan* and *Report Writer* menu options are only available if you have purchased them. For more information, contact your ARGUS sales representative.

Report Options and Formatting

You may access the Main Options window from various report selection windows and by selecting *Reports* from the *Options* menu. This window is where you can change report format settings.

Changes you make in the Main Options window are property file specific and will affect only the current property. The settings, which will remain in effect until you change them, will be included in the property file and may be copied to a diskette or other computers.

**Range of Years for Annual Reports**

These fields control the number of years that are printed on most reports. The numbers are set when the property is calculated. If you modify the analysis timing of the property, these fields will change automatically.
Certain reports may have more years than you specified on the Property Timing window. The
period between Analysis Starts and First Year Ends is considered one year, even if this period
is only one month long. A 10-year property analysis with a short first year and capitalization
based on the following year income will have 12 years of cash flow; the first short year, 10 full
years, and one more year on which to base the resale calculation.

The Schedule of Prospective Cash Flow, Summary of Expense Reimbursement, and all tenant
reports will be printed from years 1 to 12. The Individual Loan & Debt Service Summaries,
Sources & Uses of Capital, and the Prospective Property Resale reports will end with the sale of
the property.

Range of Months for Monthly Reports
These fields determine the number of months reported when you select monthly output. The
default setting is Month 1 to Month 12. With the standard ARGUS column widths, 12 months
will fit on one standard LaserJet landscape page.

Range of Quarters for Quarterly Reports
These fields determine the number of quarters reported when you select quarterly output. The
default setting is quarter 1 to quarter 12. With the standard ARGUS column widths, 12 quarters
will fit on one standard LaserJet landscape page.

Column Width for Reporting Labels
The standard ARGUS label widths are 32 characters. You may change this field to something
greater than 32 to provide more space between the row labels and the first calculated numerical
column. You may also change it to something less than 32, but that will cause some of the
standard ARGUS labels to be truncated. This setting will also affect the number of columns that
can fit on a single page.

Column Width for Reporting Numbers
This value is the total width of the column and includes the gutter space between columns and
the numbers in the column. The default is 12 characters, which is adequate for numerical values
of 99,999,999 or less, although numerical rows that contain dollar signs or parentheses may
appear crowded if those numbers are in the tens of millions range.

You may need to increase the standard column width in order to accommodate extremely large
values. You may also decrease the standard column width if it is too wide for the reported
numbers.

Fractional Area Measures
If you entered fractional area measures, but do not wish to display fractional sizes in your
reports, this option allows you to indicate that. This option will only be available if you entered
fractional area measures.
Scaled or Natural Numbers
You may scale the numbers in ARGUS reports to hundreds or thousands. This allows you to eliminate unwanted detail and fit more columns on a page. You may choose from the following options:

- **No Change**: This option reports all amounts to the nearest dollar. For example, a number calculated as 123,485.49 will print as 123,485, and 123,485.50 will print as 123,486.

- **Scale to Hundreds**: This option first rounds to the nearest hundred dollars, then eliminates the zeros from the ones and tens places. For example, 123,449 will print as 1,234, and 123,451 will print as 1,235.

- **Scale to Thousands**: This option first rounds to the nearest thousand dollars, then eliminates the zeros from the ones, tens and hundreds places. For example, 123,499 will print as 123.

Report Header/Footer Information
The Main Options - Header/Footer window allows you to customize printed ARGUS reports. To access this window, choose the **Header/Footer** button.

The Main Options - Header/Footer window contains selections for changing the style of report headers, periods, dates, footnotes, and disclaimers.

**Report Header**
This field allows you to specify whether the standard ARGUS report headings will be included on the report. The default for this is **Full**, which will print all headings. Select **None** to remove the headings.
Periods and/or Dates
The selection in this field determines whether periods, dates, or both will be displayed at the top of numeric columns. The default in this field is Both, which prints the period and date at the top of all numeric columns. The period number will appear above the date.

Example

| Year 1 | Dec-2002 | Year 1 | Dec-2002 |

Period Formatting Style
Periods may be printed as Year 1 or Period 1. Each column of results will be sequentially numbered. If the first year of the analysis has less than 12 months, it will still be represented by 1 and the next full year will be represented by 2. If the Years for Annual Reports is set at something other than 1 to 10, the first column will be equal to the starting number and each column thereafter will be numbered sequentially. Monthly reports will be printed as Month 1 or Period 1. Each month is a new period. Do not confuse monthly periods with annual periods.

Date Formatting Style
Dates may be printed as Dec-2001 or 12/01. When reporting annually, the date will always be the last month of the period described by the column. If the Years for Annual Reports option described above is set to start at 1, the heading at the top of the first reported column will be the same month and year as was entered on the Timing window in the First Year Ends field. Each subsequent column will be headed by the same month and the next sequential year.

Comments
Select this option to include comments in your reports. To edit comments, choose the corresponding Edit button.

Footnotes/Disclaimers Printed On
This section controls the content of footnotes and the reports on which they print. You may use footnotes to add standard company disclaimers, notes, or messages to reports. Specific footnotes for the cash flow, resale, and present value reports will print below the overall footnote, if you elect to print both types. To edit footnotes, choose the corresponding Edit button. You may include footnotes on:

- Cash Flow Reports
- Resale Reports
- Present Value Reports

Fonts
Choose the Fonts button to display the font selection window. You can use this window to select a font for the reports. Additionally, you will be shown an example of the selected font. When you finish, choose OK to save your selections and exit the window.
Page Setup

Choose the Page Setup button to display the Printer Page Settings window. You can adjust the margins (top, bottom, left, and right in inches) on this window. Also, you can change the line spacing in reports by adjusting the leading. When you finish, choose OK to save your changes and exit the window.

![Printer Page Settings window]

Note: These settings are not the same as the Export option settings for margins. These settings only affect printed output.

Output Preferences

The Preferences window is displayed when you choose the Edit button while the Output Settings field is active. This window is where you specify the currency and space measurement units used in ARGUS reports. The Input Preferences are used in ARGUS data entry, and the Output Preferences are used exclusively in reports.

Note: Currency conversions do not affect .SLL monthly import files or Lotus .DIF data interchange import files.

For more information on Input and Output Preferences, see Chapter 4, Property Description Windows.
Property Level Reports

Choose Property Level from the Reports menu to display the Property Level Reports window.

You may print the reports above individually, or in any combination. To generate a report, select the check box to the left of the report. To clear all selections except the Schedule of Cash Flow from Operations report, choose the Clear Selections button.

Depending on the report selected, the Frequency box allows you to report on a monthly, quarterly, annual, or monthly with annual sum basis.

Report Commands

All report screens include a set of standard buttons that perform various functions. Several reports include additional Options buttons as well. These additional options are described along with each particular report later in this chapter.

The standard buttons are: View, Print, Export, Options, Close, and Help.

View

When you select the View button, ARGUS displays the report in a window. The headings are fixed, but you can use the arrow keys to scroll through the body of the report. You can also click the scroll arrows located on the upper right and lower right of the window to move the report in the direction indicated.

If you selected multiple reports, the report names will be listed on tabs near the bottom of the window. You can use these tabs to switch between the reports you selected without returning to the report selection window. Note that tabs will only be displayed for the reports you selected.
Chapter 27: Reports and Graphs

An example of a report displayed in a View screen appears below.

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>POTENTIAL GROSS REVENUE</td>
<td>$1,125,856</td>
<td>$1,140,932</td>
<td>$1,157,715</td>
</tr>
<tr>
<td>Absorption &amp; Turnover Vacancy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Rent Abatements</td>
<td>(5,000)</td>
<td>(5,750)</td>
<td>(6,000)</td>
</tr>
<tr>
<td>Scheduled Base Rental Revenue</td>
<td>1,120,496</td>
<td>1,135,182</td>
<td>1,151,687</td>
</tr>
<tr>
<td>Base Rental Step Revenue</td>
<td>4,110</td>
<td>5,360</td>
<td>5,802</td>
</tr>
<tr>
<td>Expense Reimbursement Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Area Maintenance</td>
<td>211,079</td>
<td>220,543</td>
<td>104,947</td>
</tr>
<tr>
<td>Real Estate Taxes</td>
<td>16,419</td>
<td>16,756</td>
<td>16,825</td>
</tr>
<tr>
<td>Administrative &amp; General</td>
<td>2,737</td>
<td>2,389</td>
<td>2,954</td>
</tr>
<tr>
<td>Insurance</td>
<td>4,222</td>
<td>4,510</td>
<td>4,401</td>
</tr>
<tr>
<td>Total Reimbursement Revenue</td>
<td>234,477</td>
<td>246,301</td>
<td>129,827</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>20,000</td>
<td>20,900</td>
<td>21,124</td>
</tr>
</tbody>
</table>

You can select Print on the View Reports window to print all selected reports. You can also export all the selected reports to Excel by choosing Excel on this window. This allows you to make changes to the appearance of your reports such as changing the background color, fonts, and text styles.

**Print**

To print, select the report or reports, and then choose Print. When the Print window appears, choose OK to send the report to the printer.

**Exporting Reports**

The Export button allows you to save ARGUS output in other software data formats. For more information, see the Exporting Reports section in this chapter. In addition, you can export reports directly to Microsoft Excel from the View screen. See the previous section for more information.

**Options**

The Options button displays the Main Options window. This window includes options to set the number of years, months, and quarters for reports. There are also options for label and number width, header and footer, font, and currency display settings. For more information about options settings, see the Report Options and Formatting section in this chapter.

**Frequency**

Depending upon the reports you select, and the data entered into ARGUS, reports may be available on an annual, monthly, quarterly, or monthly with annual sum basis.
Report Calculations

After you create a new property or change an existing property, ARGUS performs calculations when you select any option from the Reports menu except Input Assumptions and Report Packages. If new calculations are not required, a report window is displayed immediately after you select an option. If calculations are required, ARGUS displays a calculation window. When calculations are complete, a report window appears.

Iteration Options

If you use the Percent of Line or the Percent of Effective Gross Revenue unit of measure in the property, ARGUS performs additional calculations when you select the Cash Flow report. If a line item's values are based upon items lower in the Cash Flow, or affect items higher in the Cash Flow, an iteration, or repetition, is required to determine the proper value.

Many items may be dependent on other items in the cash flow. This requires that the property be calculated many times to ensure an accurate cash flow.

Revenue from reimbursed expenses is a component of Effective Gross Revenue. If a reimbursable expense is a percent of Effective Gross Revenue, the expense cannot be calculated until the Effective Gross Revenue is summed. When the expense is calculated and reimbursed, Effective Gross Revenue will increase. This will increase the expense, which will, in turn, increase the reimbursement.

The following iteration methods are available on the Iteration Options window:

- **'Quick Calc' [No Iteration]**: No iterations are performed when you select this method. For the initial value of the cash flow items, ARGUS uses the previous calculation result. If there are no previous calculation results due to timing changes, upgrades, or new file creation, the initial value of cash flow items is zero.

  This method is inaccurate only when dealing with a new file or when large changes in the cash flow have taken place. When only minor changes are entered, this method is very accurate as all of the previous calculations bring the values very close to zero tolerance. The tolerance is set in the Advanced Iteration Options window.
**Modified Iteration to Specified Tolerance:** This method performs iterations until the specified tolerance is reached. For the initial value of the cash flow items, it uses the previous calculation results, or 0 if these values are unavailable due to timing changes, upgrades, or in new properties. This method may be faster than the *Full Iteration* option due to the starting values being closer to the desired results. The tolerance is set in the Advanced Iteration Options window.

**Full Iteration to Specified Tolerance:** This method performs iterations until the specified tolerance or the maximum number of iterations is reached. For the initial value of the cash flow items, this method uses 0. If there are no changes, the results of this method will be consistent. The cash flow for the other two methods, because of their different start points, may vary by small amounts each calculation. Full iteration should be used for final report results or when working with someone who is using a copy of the data file on a different machine. The tolerance is set in the Advanced Iteration Options window.

**Advanced Iteration Options**
The Advanced Iteration Options window is where you specify the calculation tolerance.

You can enter the tolerance as a currency amount or a percent. ARGUS recalculates the property until the difference from the previous and current calculation is less than the tolerance. The entry in the *Maximum Number of Iterations* field limits the time spent calculating a property when the tolerance is too low. The number of required iterations varies with the number of items defined as *Percent of Line* calculations.

**Example**
The rent is $10.00 per square foot, reimbursable expenses are 10% of Effective Gross Revenue, and the expense is fully recoverable. The property is limited to 3 iterations.

<table>
<thead>
<tr>
<th>Iteration</th>
<th>Rent</th>
<th>Reimbursement</th>
<th>Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>10.00</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>2nd</td>
<td>10.00</td>
<td>1.00</td>
<td>1.10</td>
</tr>
<tr>
<td>3rd</td>
<td>10.00</td>
<td>1.10</td>
<td>1.11</td>
</tr>
</tbody>
</table>
Proposition 13 Calculations

If you entered a proposition 13 expense and a present value "as of" date, the following window appears when you select an option from the Report menu. Choose the button representing the discount period you wish to use.

Report Availability

Certain reports are only available when specific data has been entered into the analysis. If a selected report has no data available, the following error message will appear.
Property Level Report Options

Most of the property level reports have their own Options button available on the Property Level Reports window.

Schedule of Cash Flow from Operations

This report is available monthly, quarterly, annually, and monthly with annual sum. It reports operations from the years of the analysis only. The individual line items entered on the Miscellaneous Revenues, Reimbursable and Non-Reimbursable Expenses, and Capital Expenditures windows will be grouped together and reported under the respective section heading. Any item that has a standard ARGUS label will be reported with that label on the Schedule of Prospective Cash Flow report.

Options

The Cash Flow Options window appears when you choose the Schedule of Cash Flow from Operations Options button on the Property Level Reports window. This window has three different sections that you access by clicking the tabs at the top of the window.

The Reporting Options Tab

You can change the following options on this tab.

Include Sub-lines

This option includes detailed sub-line entries in the report, rather than grouping the total of the sub-lines under their general heading. This option is unavailable in portfolio property types.

Debt after Capital/Development Costs

This option includes any debt service after development costs.
Footnotes
Choose the **Edit** button to access the Cash Flow Footnotes window. Footnotes entered here are specific to the Cash Flow statement. To include these footnotes on the bottom of the Cash Flow report, select the **Footnotes** check box.

Include Partnerships
This option includes partnership entries in the report. If you select this option, no tax information will appear on the report.

Place all Credit Within Revenue Adjustments
This option will group absorption and turnover vacancy, base rent abatements, and general vacancy, under total revenue adjustments and deduct it from the unadjusted total gross revenue. Selecting this option makes the Separate Contract and Speculative Rent option available and the Separate Tenant Rent of option unavailable.

Print Revenue and Expense Notes
Select this option to include notes entered on the revenue and expense windows on the reports.

Print true sign of cash flow items
If you select this option, all expenses will be shown on the Cash Flow as negative and all revenues as positive. This is useful when you print budgeted and actual variance reports because variances with the same sign will be the same (e.g., either positive or negative).

Separate Contract and Speculative Rent
This option allows you to print separate Contract Rent and Speculative Rent sections on the Cash Flow report. It is only available if you select the Place all Credit Within Revenue Adjustments option described above. Note that contract rent only includes leases that start on or before the analysis start date, or the reporting start date if you are using Advanced Timing. Contract rent does not include renewals or space absorption tenants.

Use Reimbursable Reporting Groups
In order to use this option, you must select the Use Reimbursable Reporting Groups option on the Switches tab on the Input Switches window. For more information on Reimbursable Reporting Groups, see Chapter 27, Input Switches.

If this option is enabled, and if you have created Reimbursable Reporting Groups, it allows you to include Reimbursable Reporting Groups on the Cash Flow report.

Include Cents
This option allows you to display cents in some property level reports in apartment and assisted living properties. You can use it when either currency amount (dollars) per unit or currency amount (dollars) per square foot is the selected reporting unit. When reporting units are whole dollars you cannot use this option. You may report cents in the following Property Level reports:

- Schedule of Cash Flow from Operations
- Sources and Uses of Capital – Cash Returns
- Prospective Resale & IRR Summary
- Prospective Present Value Summary
Show Rent by Unit Type
This option allows you to include the total rent (Base Rent + Free Rent + Absorption & Turnover Vacancy) on the Cash Flow reports for apartment and senior assisted living properties. Note that this option is not available when the **Place all credits within Revenue Adjustments** option is selected, and vice versa. In addition, this option is not available when you select an option other than **Report Budgeted** in the **Report Type** field on the Report Type tab.

If you choose this option, the Potential Gross Revenue section on the Cash Flow report will list each unit type in the order entered on the Rent Roll along with the corresponding rent totals for each unit type. The rent total will include the sum of the Base Rent, any Rent Abatements, and Absorption & Turnover Vacancy.

If you choose the **Place all Credits within Revenue Adjustments** option, the Potential Gross Revenue section on the Cash Flow report will include potential revenue only. Absorption & Turnover Vacancy and Base Rent Abatements will be reported separately, in the Revenue Adjustments section. No division by unit type will be reported.

If you choose neither of these options, the Potential Gross Revenue section on the Cash Flow report will include Potential Rental Revenue, Absorption & Turnover Vacancy, and Base Rent Abatements. No division by unit type will be reported.

Provide a Cumulative Total After Month Number
This option allows you to report cash flows monthly with a cumulative sum given after a specified number of months. To use this option, select the checkbox and enter the number of months for which you would like a total in the field to the right.

Separate Tenant Rent of
This field allows you to specify a tenant group and report a separate Scheduled Base Rental Revenue line for each tenant in that group. It is only available in office, retail, and industrial properties, and is unavailable if you select the **Place all Credit Within Revenue Adjustments** option above. You can select an existing tenant group from the drop-down list in the field, or you can create and edit tenant groups by choosing **Detail** while the field is active. For more information about Tenant Groups, see Chapter 14.

**Note:** The Scheduled Base Rental Revenue line item is equal to the Base Rental Revenue - Base Rent Abatements.

The Scheduled Base Rental Revenues for the tenants in the group specified will be displayed beneath the Scheduled Base Rental Revenue line item. The name of the Tenant Group will not appear, only the names of the tenants in the group. The numbers in the Scheduled Base Rental Revenue line will not include the rental revenues for the tenants listed below it. The total of the **Scheduled** Base Rental Revenue line items and the tenant line items will appear on the Total Potential Gross Revenue line item.

Another effect of separating tenants on the Cash Flow report is to lower the Base Rent Abatements line items by the amount of the abatements used by those separated tenants. If you want to show the Scheduled Base Rental Revenue for all tenants in a property, then put all the tenants in one group and choose that group in the **Separate Tenant Rent of** field.
Reporting Units

You can choose from the following units of measure in office and retail properties:

- Whole Currency
- Currency per Property Size
- Currency per Alternate Size
- Currency per Occupied Size
- Percentages of Potential Gross Revenue
- Percentages of Effective Gross Revenue
- Occupied Office
- Occupied Retail
- Occupied Industrial
- Occupied Pool Minor
- Office Total
- Retail Total
- Industrial Total
- Pool Minor Total

You can choose from the following units of measure in hotel properties:

- Whole Currency
- Currency per Available Room
- Currency per Alternate Room
- Currency per Occupied Room
- Revenue & Expense Ratios
- Currency per Available Room/Night
- Currency per Occupied Room/Night
- As Percent of Total Gross Revenue

You can choose from the following units of measure in apartment and assisted living properties:

- Whole Currency
- Currency per Unit
- Currency per Area Measurement Unit

If you did not enter values for an item, it will not be reported. The Schedule of Prospective Cash Flow report for hotel and portfolio properties is described after the office, retail, apartment, and assisted living description. The Cash Flow report for general properties is similar, but does not include tenant-related items (all lines before Miscellaneous Revenues).

The Account Codes Tab

Following is an example of the Account Codes tab.
You can change the following options on this tab.

**Print Codes for Annual, Monthly and Quarterly**
Select this option to print account codes on the annual, monthly, and quarterly Cash Flow reports.

**Print Codes for Monthly with Annual Sum**
Select this option to print account codes on the Monthly with Annual Sum report.

**Right Align Account Codes**
Select this option to right-align account codes. If this option is not selected, account codes will be left aligned.

**Account Codes Widths**
Enter the column width in number of characters for printing account codes on the Monthly with Annual Sum report.

**Monthly with Annual Sum**
This section determines the *monthly with annual sum* format for the Schedule of Prospective Cash Flow report. These settings only affect printed reports; they have no affect when a report is viewed or exported.

- **Print Commas And Currency Signs**: This option controls the printing of commas and currency signs on the report. Currency signs are reported only on the first and total lines of a report. If the first or total lines display a row of asterisks (*****), and you do not wish to increase the column widths, you can turn this setting off (no checkmark should appear in the check box) to decrease the amount of required space.

- **Month Widths**: This option sets the column width for monthly reports. It is preset to 10 characters. Note that this is two less than the standard ARGUS reports. If monthly numbers are too large to fit in the ten character columns, you may need to increase this number. If you increase this number without changing any other settings, the report will print over the edge of a standard sheet of paper, or continue on a second page.

- **Total Widths**: This option sets the column width for total fields. It is preset to twelve characters. If the totals are too large to fit in twelve character columns, you may need to increase this number. If you increase this number without changing any other settings, the report will print over the edge of a standard sheet of paper, or continue on a second page.
The Report Type Tab

Following is an example of the Report Type tab:

You can change the following options on this tab.

Report Type
You can select any of the following report types:

- Report Budgeted
- Report Actuals
- Report Variances

First and Second Variance
These options are only available if you selected Report Variances as the report type. You can select any of the following variance types:

- Actual minus Budgeted
- Budgeted minus Actual
- Budgeted as a percent of Actual
- Actual as a percent of Budgeted

Report Budgeted First
This option is only available if you selected Report Variances as the report type. Select this option to report budgeted amounts before actual amounts on the report.
The Periods to Report Actuals Section

The options below are only available if you selected Report Actuals as the report type:

- **Years for Annual Reports**: Enter the number of years you want to include in the report.
- **Quarters for Quarterly Reports**: Enter the number of quarters you want to include in the report.
- **Months for Monthly Reports**: Enter the number of months you want to include in the report.

Actual amounts will be reported for the specified period. Budgeted amounts will be reported during subsequent periods.

Export to $LL

Monthly Import File: This button exports a .$LL monthly import cash flow file. It is not affected by currency name changes. See the Exporting Reports section that appears later in this chapter for more information.

Export to .DIF

Data Interchange File: This button produces a Lotus .DIF, or data interchange, import file. It is not affected by currency name changes. See the Exporting Reports section that appears later in this chapter for more information.

Report Data

The Schedule of Prospective Cash Flow report includes the data described below.

**Potential Gross Revenue**

The Schedule of Prospective Cash Flow report for an office or retail property begins with the Potential Gross Revenue section. All revenue items are considered potential until they are adjusted for general vacancy and credit loss. For many of these items, additional information is available in the Supporting Schedule section.

**Base Rental Revenue**

The Base Rental Revenue section shows the maximum amount of base rent the building can generate. Base rental revenue has two components: leased space and available space. The base rental revenue of the leased space is the tenant size multiplied by the rent per area measurement unit. The base rental revenue of the available space is the size of the space multiplied by the market rent in the corresponding Market Leasing Assumption category.

Space entered on the Space Absorption window is considered available from the date entered in the Date Available field. Space entered on the Rent Roll window is considered available between leases.

If the lease entered on the Rent Roll does not begin until after the beginning of the analysis, the availability of the space is determined by the method of entry for the start date. If the start date is entered as a relative date, the space is considered available and will have base rental revenue from the beginning of the analysis. If the start date is entered as a fixed date, the space will not have base rental revenue until the space begins the lease.

Space that is not entered on the Rent Roll or Space Absorption window will not have any base rental revenue or absorption and turnover vacancy.
Absorption & Turnover Vacancy
Absorption vacancy is from space that is vacant when the analysis begins. Space entered on the Space Absorption window may have absorption vacancy. Space entered on the Rent Roll with a relative start date will also have absorption vacancy. Absorption vacancy for a space will end when the first lease for the space begins.

Turnover vacancy is caused by the downtime between leases. The length of the downtime between leases is controlled by the entry in the Months Vacant field of the tenant's Market Leasing Assumptions category.

The amount of absorption and turnover vacancy in a month equals the amount of base rental revenue in that month on the Individual Tenant Cash Flow and Summary reports for vacant spaces. The vacancy amount is equal to the amount of potential base rent the space could have collected if it had been occupied. The amount of vacancy on this line may affect the calculation of the general vacancy.

Base Rent Abatements
Rent abatements are free rent amounts given to tenants. For current tenants, you enter this amount in the Rent Abatement field on the Rent Roll or the Space Absorption window. For future leases, you can enter this amount in the Rent Abatement field in the associated Market Leasing Assumptions category.

Scheduled Base Rental Revenue
This line, which shows the amount of base rent that can be collected from tenants, is the sum of Base Rental Revenue, absorption and turnover vacancy, and rent abatements. It is not included on the report when the Place all credits within Revenue Adjustments option is selected on the Cash Flow Options screen.

Base Rental Step Revenue
Base rental step revenue is entered for tenants in the Rent Changes field on the Rent Roll window, the Space Absorption window, and the Market Leasing Assumptions window. Changes in a tenant's rent that were entered on the detailed Base Rent window will be reported on the Base Rental Revenue line.

Porters' Wage Revenue
Porters' wage amounts are entered using one of the Rent Changes fields. This amount is affected by the tenant's start date and the Porters' Wage index, as well as the entries on the Porters' Wage category window.

Miscellaneous Rental Revenue
Miscellaneous rental revenue is entered using one of the Rent Changes fields. This amount can be affected by all of the tenant's other revenue amounts.

CPI & Other Adjustment Rental Revenue
CPI revenue is an annual percentage increase in the tenant's base rent, based upon the entry of CPI for the tenant in the Rent Changes window. Annual percentage increases in rent entered on a detailed Base Rent window from the Rent Roll will not be reported on this line.

Retail Sales Percentage Revenue
The amount of this item is determined by entries in the Retail Sales, Breakpoint, and Overage Percentage fields. Retail Percents/Breakpoints categories can also affect this amount.
**Expense Reimbursement**

This amount is controlled by a large number of entries and factors. You may track it using the Schedule of Expense Reimbursement Revenue, the Individual Tenant Reimbursement Detail, and the Supporting Schedule for Expense Reimbursement Revenue reports.

**Miscellaneous Revenues**

Items entered on the Miscellaneous Revenue window will be reported here in the order they are listed on the window. This will be the first section of the Cash Flow for properties using the general property type.

**Parking Revenue**

This amount is calculated from the entries on the Rent Changes and Parking Revenue windows.

**Total Potential Gross Revenue**

This line reports the sum of all Potential Gross Revenue items listed above. It is the amount of revenue the property would collect if there are no entries on the General Vacancy or Credit Loss windows.

**General Vacancy**

This amount is calculated based on the entries on the General Vacancy window. It reduces the Potential Gross Revenue by the amount of expected vacancy.

**Collection Loss**

This amount is calculated based on the entries in the Collection Loss window. It reduces the Potential Gross Revenue by the amount of expected collection loss.

**Effective Gross Revenue**

This line shows the Potential Gross Revenue of the property after the general vacancy and credit loss have been subtracted. It is the amount of revenue the property should collect.

**Operating Expenses**

There are two components to this section: reimbursable operating expenses and non-reimbursable operating expenses. No distinction is made on the Cash Flow report between the two types of expenses. The expenses are listed in the same order in which they are entered on their respective windows.

The reimbursable expense amounts included on the Cash Flow report may not match those listed on the Summary of Expense Reimbursement Revenue report. This is due to a grossing up of the expenses for the Summary of Expense Reimbursement Revenue report. The reimbursable operating expenses will be grossed up to the specified occupancy percentage when the Gross Up for Reimbursement option is selected on the Reimbursable Operating Expense window.

**Total Operating Expenses**

This line is the sum of all reimbursable and non-reimbursable operating expenses.

**Net Operating Income**

ARGUS calculates this line by subtracting the total operating expenses from the effective gross revenue. Leasing and capital costs and debt service amounts do not affect net operating income.

The next section on the report may be either Debt Service or Leasing & Capital Costs, depending on the entry in the Cash Flow Options window. The ARGUS default is to print the Debt Service section first.
**Debt Service**

This section of the report shows the property's debt information. If no debt has been defined for a property, this section will not appear on the report. If the resale is based on the following year's income, the Debt Service section will have no entries in the final year of the Cash Flow report. All notes will balloon upon resale.

If a property has Debt Service, any of the following items may appear on the Cash Flow report:

- Interest Payments
- Principal Payments
- Origination Points & Fees
- Accrued Interest Reduction
- Additional Principal Payments
- Balloon Payments

Each of these items is described in greater detail below. You can use the Individual Loan & Debt Service Summary reports to track these items.

- **Interest Payments**: This amount is the sum of all interest paid on all notes. It does not include accrued interest reduction or contingent interest.

- **Principal Payments**: This amount is the sum of all principal reductions on all notes. This amount does not include other payments or balloon payments.

- **Origination Points & Fees**: Origination points and fees occur at the beginning of a note. The total amount for a note always appears in the note's first month only.

- **Participation On Cash Flow**: This amount equals the total contingent interest or participation from the notes that have contingent interest or participation, based on selected items of the cash flow. This amount does not include accrued interest reduction.

- **Accrued Interest Reduction**: Accrued interest reduction occurs when a portion of the cash flow is used to reduce the amount of accrued interest.

- **Additional Principal Payments**: Additional principal payments are entered on the Debt Service Advanced window in the Other Payments field.

**Total Debt Service**

This is a total of the debt lines described above. This amount is deducted from the Net Operating Income. You may track Total Debt Service using either the Individual Loan & Debt Service Summary report or the Consolidation of All Notes report.

**Leasing & Capital Costs**

The Leasing & Capital Costs section may be reported before or after the Debt Service section depending upon your selections on the Cash Flow Options window.

- **Tenant Improvements**: This line is a sum of all tenant improvement amounts. For apartment and assisted living properties, this line will be labeled *Preparation Cost*. A tenant-by-tenant breakdown of this item is available in the Supporting Schedule section.

- **Leasing Commissions**: This line is a sum of all leasing commissions (including additional items selected on the Leasing Commissions window). For apartment and assisted living properties, this line will be labeled *Leasing Cost*. A tenant-by-tenant breakdown of this item is available in the Supporting Schedule section.

- **Capital Expenditures & Reserves**: The remaining items, if any, are the items entered on the Capital Expenditures window. These items will be listed in the same order in which they were entered.
Total Leasing & Capital Costs
This line reports the sum of the Leasing & Capital Cost items. It will be subtracted from the Net Operating Income. If the Debt Service section was printed after the Leasing & Capital Costs, there will be a total line labeled Cash Flow Before Debt Service. This line is the Net Operating Income minus the Total Leasing & Capital Costs. The Cash Flow Before Debt Service is used to calculate the unleveraged present value.

Development Costs
These costs are generated by the Development Cost options available from the Property menu.

- Land Acquisition Costs: This line shows entries on the Land/Acquisition Costs window. The individual sub-lines are usually property or building purchase. They can also be for site preparation costs.

- Total Land Acquisition Costs: This line shows the total of all the Land Acquisition sub-lines previously listed.

- Hard/Construction Costs: These costs are related to construction of a building, preparation of a site and renovation or remodeling of a structure.

- Total Hard/Construction Costs: This line shows the total of the Hard/Construction Cost sub-lines.

- Soft/Development Costs: Soft, or development, costs are those intangible items that are necessary for a development. These may include building permits, surveyor fees, environmental or geological impact studies, and asbestos or lead paint contamination surveys.

- Total Soft/Development Costs: This line shows the total of the Soft/Development Costs sub-lines.

Escrow
These items are generated by the Escrow options available from the Property menu. Items for which you select Equity in the Type field on the Escrow Balance window will not be listed in this section.

- Escrow Contributions: These lines report the entries on the Escrow Contributions window.

- Escrow Distributions: These lines report the entries on the Escrow Distributions window.

Cash Flow After Debt Service But Before Income Tax
This line is the Net Operating Income minus the Total Debt Service and minus the Total Leasing & Capital Costs. This amount is used to calculate leveraged present value.

Hotel Schedule of Prospective Cash Flow
Gross Revenue
This section includes all revenue items. The departmental revenue items, including room, food, beverage, telephone, and other revenue, are listed first. These items are then followed by items entered on the Miscellaneous Revenues window. These items are summed on the Total Gross Revenue line.

Departmental Expenses
This section includes all departmental expense items. The departmental expenses include rooms, food, beverage, telephone, and other expenses. These items are summed on the Total Departmental Expense line.
Undistributed Expenses
This section contains all items that are entered on the Undistributed Expense window. These items are totaled and subtracted from Total Gross Revenue along with Total Departmental Expenses to arrive at Gross Operating Profit.

Fixed Expenses and Costs
The items entered on the Fixed Expenses & Costs window are listed in this section. The total of these items is then subtracted from Gross Operating Profit to reach the Net Operating Income.

The rest of the Cash Flow report will be identical to the office and retail Cash Flow reports described previously.

Summary of Cash Flows - Portfolio
The Cash Flow report for a portfolio is very similar to one produced for an office and retail property. All revenue is grouped together on one line. All items entered on the Miscellaneous Revenue window are totaled and reported on one line. The operating expenses are grouped together by reimbursable expense and property type, and are reported in the Operating Expenses block. All items entered on the Capital Expenditures window are totaled and reported on one line. The remainder of the report is the same as a report produced for an office and retail property.

Schedule of Expense Reimbursement Revenue
The Schedule of Expense Reimbursement Revenue report lists all fiscal year reimbursable operating expenses. These expenses will be adjusted for actual occupancy or the Gross up for Reimbursement checkbox will be used to increase the expense to the stated level for expense reimbursement calculations only. This selection is made on the Reimbursable Operating Expense window.

Options
The Expense Reimbursement window is displayed when you click the Expense Reimbursement Revenue Options button on the Property Level Reports window.

Reporting Units
You can choose from the following reporting units on this window:

- Whole Currency
- Currency per Property Size
- Currency per Alternate Size

After selecting a reporting unit, choose OK to return to the Property Level Reports window.
Report Data
The Schedule of Expense Reimbursements report includes the data described below.

**Fiscal Year Reimbursable Operating Expense Adjusted for Occupancy**
All of the expenses entered on the Reimbursable Operating Expense window will be listed in this section and reported on a fiscal basis. If the reimbursement is based on expenses adjusted to a grossed up occupancy percentage, the amounts reported here may not match the expenses reported on the Schedule of Prospective Cash Flow.

**Calendar Year Reimbursable Operating Expenses used for Reimbursement Calculations**
This section lists the expense amounts for the twelve months of a calendar year. These amounts will be used in determining base year stops and reimbursement amounts. If reimbursement is being made on a fiscal basis, this block will not be used or printed. The selection of fiscal or calendar reimbursement is made on the Inflation window.

**Resulting Fiscal Year Property Expense Reimbursement Revenue**
These amounts will depend upon the type of reimbursement that each tenant uses. If reimbursements are based on a calendar year, these numbers will be a mixture of the two calendar years that the fiscal year overlaps. The total of this section will appear on the Schedule of Prospective Cash Flow report on the Expense Reimbursement line.

**Percentage of Reimbursable Expense Collected as Expense Reimbursement**
These amounts are expense reimbursement revenues divided by the reimbursable expenses.

For further tracking of expense reimbursements, use the Individual Tenant Reimbursement Detail and the Supporting Schedule for Expense Reimbursement Revenue reports.

**Individual Loan & Debt Service Summary**
The Individual Loan & Debt Service Summary contains all of the note's information and many ratios. If no information was entered for an item, it will not print. This report will not include any information after the property is sold, as all notes balloon upon sale of the property. The report is available monthly, quarterly, and annually.

**Options**
The Debt Report Options window is displayed when you choose the Individual Loan & Debt Service Summary Options button on the Property Level Reports window. To select an option on this window, click the corresponding check box.
Report Data
The Individual Loan & Debt Service Summary includes the report data described below.

Minimum Debt Service
This section includes interest payments and scheduled principal payments only. The Interest Payments line does not include accrued interest reductions or contingent interest. The Principal Payments line does not include additional payments or the balloon payment. The Total Minimum Debt Service line is a sum of the interest payments and the principal payments.

Fees & Contingencies
This section includes origination points and fees, participation on the cash flow, and participation on resale. If the note does not include any of these items, this section will not appear on the report.

Reductions & Retirement
This section includes the accrued interest reduction, additional principal payments, and the principal balloon or call. Additional principal payments are entered on the Debt Financing window in the Other Payments field. If the note does not have a balloon date, or the balloon date is after the analysis, the note will balloon automatically when the property is sold.

You can select an option on the Property Purchase & Resale window that will calculate the sale of the property every year of the analysis. The balloon amount for each year of the analysis will be shown on the Prospective Property Resale report. The Individual Loan & Debt Service Summary report only shows the final year balloon amount.

Total Cash Flow Paid To Lender
This line reports the sum of total minimum debt service, total fees and contingencies, and total reductions and retirement. This represents the total amount received by the lender.

Principal Balance Summary
This section tracks the amount of the principal balance. All changes to the principal balance are reported here. The Beginning Principal Balance line is the Ending Principal Balance from the previous period. If the amount to fund increases, it will be reported on the next line, Additional Principal Fundings.

Additional fundings can be entered on the Debt Financing window by entering detail in the Amount field. The Periodic Principal Reductions line is the same as the Principal Payments line from the Minimum Debt Service section of this report. The Accrual Posted to Principal line is the amount of Accrued Interest remaining when the note begins to amortize. The Additional Principal Payments line represents any amount entered on the Debt Financing Advanced window in the Other Payments field. Principal balloon payments will occur if the note has a Call or Balloon date, or if the note has principal remaining when the property is sold in the final year of the analysis. If there are multiple prior balloon notes with different balloon dates, the subsequent balloon notes will be reported as Additional Principal Fundings. The Ending Principal Balance is the Beginning Principal Balance plus all of the previously listed items.
Accrued Interest Balance Summary
This section will not be reported unless the Rate Paid is less than the Rate Charged entered on the Debt Financing window for the note. The Beginning Accrual Balance is the amount of accrued interest at the beginning of the period. Accrued Interest is the amount of interest that accrued during the current period. Cash Flow Offsetting Balance is the amount of accrued interest that was reduced by the cash flow of the property. This is controlled by the field Percent Cash Flow Pays Accrual on the Debt Financing Advanced window. Accrual Posted to Principal is the amount of accrued interest remaining when the note begins amortization or ends. This amount is transferred to the Principal Balance.

Total Outstanding Balance
The Total Outstanding Balance is the amount that is owed to the lender. This is the sum of the Ending Principal Balance and the Ending Accrual Balance. This section will only be reported when the note has accrued interest.

Interest Rates
The Interest Rate on Principal is the interest rate from the Rate Charged field. The Scheduled Interest Rate Paid is from the Rate Paid field. The Interest Rate on Accrual is from the Rate on Accrual field. All of these rates can change on a monthly basis. For more accurate tracking of a changing interest rate, monthly reporting should be used. The Rate Paid and the Rate on Accrual will only print when interest is accruing.

Cash Flow Coverage Ratios
The Cash to Total Interest Charged is the Net Operating Income divided by the Interest Payments. Cash to Minimum Debt Service is the Net Operating Income divided by the Total Minimum Debt Service.

Loan to Value Ratios
The Loan to Purchase Price is the Beginning Principal Balance divided by the Purchase Price entered on the Property Purchase & Resale window. The Loan to Capitalized Value is the Beginning Principal Balance divided by the result of the current and following eleven months of the Net Operating Income divided by the exit cap rate. The exit cap rate is entered on the Property Purchase & Resale window. This may be affected by a Proposition 13B expense.

\[
\text{Loan to Capitalized Value} = \frac{\text{Beginning Principal Balance}}{(12 \text{ Months NOI} / \text{Cap Rate})}
\]

The Loan to Lowest Present Value is the Beginning Principal Balance divided by the lowest present value. The lowest present value can be found on the Prospective Present Value report. The Loan to Highest Present Value is the Beginning Principal Balance divided by the highest present value. If there is only one discount rate, there will be a line titled Loan to Present Value.

Lenders Yield (IRR)
The Yield to Maturity is a monthly internal rate of return for the note. If the note begins before the analysis, this calculation will be from the start of the analysis. If the note starts after the analysis, the yield will be calculated from the note start date. The Base Yield to Maturity uses the Beginning Principal Balance as the initial investment. The incoming flow is composed of the following items:

- Minimum Debt Service
- Additional Fundings
- Additional Payments
- Accrued Interest Reductions
- Balloon Payment
The Yield Including Fees & Penalties adds Origination Points & Fees and Prepayment Penalties to the income stream.

The Yield Including Participation adds the amount received from Participation on Cash Flow and Participation on Resale to the income stream.

**Sources & Uses of Capital - Cash Returns**

This report describes the inflow and outflow of funds to the property. This report ends when the property is sold in the final year of the analysis. If the sale is calculated for each year of the analysis, only the final year resale will be reflected here. This report is available annually, monthly, or quarterly.

**Options**

The Sources & Uses window is displayed when you choose the Sources & Uses of Capital - Cash Returns Options button on the Property Level Reports window.

**Reporting Units**

You may choose from the following reporting units:

- Whole Currency
- Currency per Property Size
- Currency per Alternate Size

**Include Cents**

This option allows you to display cents in some property level reports in apartment and assisted living properties. You can use it when either currency amount (dollars) per unit or currency amount (dollars) per square foot is the selected reporting unit. When reporting units are whole dollars you cannot use this feature. You may report cents in the following reports:

- Schedule of Cash Flow from Operations
- Sources and Uses of Capital – Cash Returns
- Prospective Resale & IRR Summary
- Prospective Present Value Summary

**Report Purchase Price Audit Trail**

If you entered a detailed initial purchase price, select this check box to include the individual components of that purchase price on the Sources & Uses of Capital - Cash Returns report.
Report Cash on Cash based on Development Costs
This option allows you to include on the Sources and Uses report a section that shows the cash on cash returns based on total development costs. If you choose this option, the Unleveraged Cash of Cash Returns section on the Sources and Uses report will report the Cash on Cash Returns based on total development costs. If no purchase price was entered, ARGUS will only use the development costs. If you entered a purchase price, but no development costs, ARGUS will calculate returns in the following manner:

\[
\text{(Cash before Debt Service)} \div \text{(Purchase Price)}
\]

If you entered neither the purchase price, nor the development costs, nothing will be reported. If you entered a detailed purchase price, the Sources and Uses report will only use the purchase price amount applied in the first month.

In unit sales properties, the development costs include unit construction costs.

Report Data
The Sources & Uses of Capital - Cash Returns report includes the report data described below.

Sources of Capital
The Net Operating Gains are the Net Operating Income amounts from each month in which the Net Operating Income is positive. Debt Funding Proceeds are the outstanding loan balances and accrued interest amounts at the beginning of the analysis, additional fundings, and new notes' Beginning Principal Balances.

The Initial Equity Contribution is the Property Purchase Price of the property, minus the Beginning Principal Balances and Accrued Interest of all notes in the first month of the analysis. If a Property Purchase Price is not entered on the Property Purchase and Resale window, the lowest Present Value will be used as the purchase price of the property for this calculation. If no purchase price is entered and the present value of the property is less than the initial debt fundings, this line will be labeled Imputed Equity Contribution.

The Net Proceeds from Sale will be reported in the final month. This amount is the sale amount less Commissions & Other Costs. Loan balloon amounts are not subtracted from this amount. The sum of all of these lines is reported as Defined Sources of Capital.

Required Equity Contributions
This line is the Defined Uses of Capital less the Defined Sources of Capital. If the Defined Sources of Capital is greater than the Defined Uses of Capital, this line will not report the difference.

Total Sources of Capital
This is the sum of Defined Sources of Capital and the Required Equity Contributions. This line will equal the Total Uses of Capital line.

Uses of Capital
The Property Purchase Price is the amount input on the Property Purchase & Resale window. If this amount was not entered, the lowest Present Value from the Prospective Present Value report will be used as the Property Purchase Price. This amount is reported in the first month of the analysis.

The Net Operating Losses line reports the amount of Net Operating Income if it is negative. If the Net Operating Income is positive, it will be reported in the Net Operating Gains line.

The Total Debt Service line is the sum of all Total Cash Flow Paid to Lender lines from all notes. However, this amount does not include balloon payments or prepayment penalties.
Tenant Improvements is the total amount of tenant improvement allowances. This amount will equal the Tenant Improvements line from the Schedule of Prospective Cash Flow report. For apartment and assisted living properties, this line will be labeled Preparation Cost.

Leasing Commissions are the leasing commissions from the Schedule of Prospective Cash Flow report. In apartment and assisted living properties, this line will be labeled Leasing Cost.

Capital Costs & Reserves are the total of all items entered on the Capital Expenditures window. These amounts are itemized below Tenant Improvements and Leasing Commissions on the Schedule of Prospective Cash Flow report.

Retirement & Penalties is the sum of all outstanding balances from all notes when the property is sold. This line also includes all Prepayment Penalties.

Resale Participation is the amount of participation the lender receives when the property is sold. This amount is also reported on the Prospective Property Resale report. Only the final year resale participation amount is shown on this report.

The sum of these lines is reported on the Defined Uses of Capital line.

**Cash Flow Distributions**
This line is the Defined Sources of Capital minus the Defined Uses of Capital. If the Defined Uses of Capital is greater than the Defined Sources of Capital, this amount will not be reported here; it will be reported on the Required Equity Contributions line.

**Total Uses of Capital**
This is the sum of Defined Uses of Capital and the Cash Flow Distributions line. It will equal the Total Sources of Capital line.

**Unleveraged Cash on Cash Returns**
The Cash to Purchase Price is the Cash Flow Before Debt divided by the Property Purchase Price. The Cash Flow before Debt line is reported on the Schedule of Prospective Cash Flow report when the Debt Service section is reported following the Leasing & Capital Costs section. The positioning of these sections is controlled on the Cash Flow Options window.

NOI to Book Value is the current Net Operating Income divided by the sum of the Property Purchase Price and Tenant Improvements, Leasing Commissions, Capital Costs & Reserves, and Development Costs since the beginning of the analysis to the current period.

**Leveraged Cash on Cash Returns**
The Cash to Initial Equity is the Initial Equity Contribution divided into either the Required Equity Contributions or the Cash Flow Distributions, depending on which is reflected in that cash flow year. If it is the Required Equity Contribution divided by the Initial Equity Contribution, then the Cash to Initial Equity will be reflected as a negative percentage.

**Unleveraged Internal Rate of Return**
The Unleveraged Internal Rate of Return uses the Property Purchase Price as the initial investment. The Cash Flow Before Debt Service and the Net Proceeds from Resale are the incoming cash flow. This calculation is determined by the resale calculation method and uses only the resale amount in the final year of the analysis.

**Leveraged Internal Rate of Return**
The Leveraged Internal Rate of Return uses the Initial Equity Contribution as the initial investment. The Cash Flow After Debt Service and the Net Cash Flow from Property Sale is the incoming cash flow. This calculation is determined by the resale calculation method and uses only the resale amount in the final year of the analysis.
Prospective Resale and IRR Summary

If you do not choose to calculate resale for each year of the analysis on the Property Purchase & Resale window, only the last column will reflect values. This is an annual report.

Options

The Resale window is displayed when you click the Prospective Resale and IRR Summary Options button on the Property Level Reports window.

Reporting Units

You may choose from the following reporting units:

- Whole Currency
- Currency per Property Size
- Currency per Alternate Size

Include Cents

This option allows you to display cents in some property level reports in apartment and assisted living properties. You can use it when either currency amount (dollars) per unit or currency amount (dollars) per square foot is the selected reporting unit. When reporting units are whole dollars you cannot use this option. You may report cents in the following reports:

- Schedule of Cash Flow from Operations
- Sources and Uses of Capital – Cash Returns
- Prospective Resale & IRR Summary
- Prospective Present Value Summary

Report Capitalization Audit Trail

This option allows you to report resale cap rate detail.

Footnotes

Select this option to include footnotes on the Prospective Resale and IRR Summary. To edit footnotes, choose Edit. When you finish, choose OK.
Report Data
The Prospective Resale and IRR Summary includes the following report data.

**Resale Amount**
The Gross Proceeds from Resale is determined by the resale method selected on the Purchase & Resale window. Commissions & Other Costs are subtracted from this amount to arrive at Net Proceeds From Property Sale. This amount determines the Unleveraged Present Value and the Unleveraged Internal Rate of Return.

**Outstanding Debt Retirement**
This section lists the cost of retiring all outstanding notes when the property is sold. The Total Principal Balance is the total principal balance of all notes at the end of the resale month. If there is any Accrued Interest at the end of the resale month, it will be reported on the Accrued Interest Balance line. The Prepayment Penalty line reports the penalty for retiring notes early.

**Net Resale Proceeds After Debt**
This is the Net Proceeds From Property Sale minus Outstanding Debt Retirement.

**Other Resale Contingencies**
This section reports any Debt Participation on Resale amounts.

**Net Cash Flow from Property Resale**
This amount is the Net Proceeds After Debt minus any Debt Participation on Resale amounts. It is used to calculate the Leveraged Internal Rate of Return.

**Unleveraged Internal Rate of Return**
This line uses the property purchase price as the initial investment. If you did not enter an initial purchase price on the Property Purchase & Resale window, it will not be reported. The Cash Flow Before Debt Service and the Net Proceeds from Resale is the incoming cash flow. This amount will be reported every year the property is sold, unless the IRR is negative.

**Leveraged Internal Rate of Return**
This line uses the initial equity contribution as the initial investment. If you did not enter the initial purchase price on the Property Purchase & Resale window, it will not be reported. The Cash Flow After Debt Service and the Net Cash Flow from Resale is the incoming cash flow. This amount will be reported every year the property is sold, unless the IRR is negative.
Prospective Present Value Summary

To access the Present Value report options, choose the Options button adjacent to the Prospective Present Value report on the Property Level Reports window. This window lists the available report styles and allows you to specify whether to report unleveraged, leveraged or both unleveraged and leveraged present value. The Cash Flow and Resale columns will be labeled either Before Debt or After Debt, depending on whether the report is unleveraged or leveraged.

Report Style
Choose one of the following reporting styles.

- **With Annual Detail**: This report allows the easiest tracking of the discounting and total present value because the discounted value for every period is reported separately.

The rows of the main section of this report reflect each period of the analysis. The ending month and year for each period are also given in the second column. The third column contains the non-discounted value of each period's cash flow. Each subsequent column reflects the cash flow value discounted at the selected rate.

At the bottom of the report, the cash flows are summed. The resale is then reported, and discounted for each rate. The total discounted value is given as the Total Property Present Value. This is the sum of the Total Cash Flow and Property Resale. This amount is rounded to thousands and double underlined. The following line is the value of the property per square foot, per unit, or per room. The number of square feet, units, or rooms is from the entry in the Property Size field on the Area Measures window. The Total Leveraged Present Value is determined by adding the equity interest to the debt balance as of the analysis start date.
The Percentage Value Distribution divides the Total Property Present Value amount into its respective components. These components are assured income, prospective income, and prospective property resale. Apartment, assisted living, hotel, and general properties do not have assured income. This information is only available on the *with annual detail* style of the Prospective Present Value reports.

Assured income reflects the cash flow that is achievable assuming that all tenants in place at the analysis start date finish their current terms and then vacate. Leases beginning after the analysis start date are not included in the assured value.

All property level revenues and expenses are assumed to be 100% variable with no fixed components, meaning that only the expenses attributable to a specific tenant are subtracted from that tenant's revenue. As each lease expires, the expenses for that space will be reduced to zero. This amount is the income that will be derived from existing tenants until they vacate their space at the end of their current lease. The calculation for prospective income is 100% minus assured income and resale.

Income from the property is divided into assured income and prospective income. If the current tenants have long leases, it is possible that assured income will account for over 100% of the cash flow and prospective income will be a negative percentage. This is because the majority of the income is generated by the current tenants and is considered assured. A proportionate share of non-reimbursable operating expenses and miscellaneous revenues will be tied to current tenants and applied to assured income. The balance of the non-reimbursable operating expenses and miscellaneous revenues and all capital expenditures and reserves will be added to prospective income, possibly making prospective income negative.

- **Without Annual Detail:** The standard industry name for this report is “Single Term DCF.” This report style displays the selected discount rates on the left side of the report. Each row of the report will reflect a different discount rate.

  The next column displays the discounted cash flows. The cash flows are from the beginning of the analysis to the end of the year when the property is sold. The next column discounts the final year's discounted resale amount. This amount will be the discounted Net Proceeds From Property Sale if the report is unleveraged or the Net Cash Flow from Property Sale if the report is leveraged.

  The Total Discounted Value column sums the Cash Flow and Resale columns.

  The Total Value per Foot column uses the entry in the **Property Size** field to determine this amount. The Total Discounted Value is divided by the property size. In apartment, assisted living, and hotel properties, this will be the Total Value per Unit or Total Value per Room, respectively.

  The next two columns, Cash Flow Contribution and Resale Contribution, show their respective component's percentage of the Total Discounted Value.
With Annual Resale: The standard industry name for this report is “Increasing Term DCF.” This report includes four blocks of information, with a separate row for each specified discount rate. This report is most useful when a calculation of the property resale for every year of the analysis has been selected on the Property Purchase & Resale window. If the property is sold in the final year only, three of the blocks will have useful information only in the final column.

The first block of information contains the cumulative discounted cash flow from every year of the analysis. The last column of this block reflects the same value as the Present Value Cash Flow column on reports that do not include annual detail.

The second block shows the discounted proceeds from property resale from every year of the analysis. The third block combines the first two blocks. This shows the total discounted value of the property if it is sold in any year of the analysis period. The fourth block is the contribution of discounted proceeds from resale. This is block 2 divided by block 3. The contribution from the cash flow is not reported, but would be 100% minus the value given for the resale's contribution.

With Cap Rate Matrix: The Resale Cap Rate Matrix report allows you to quickly compare the effects on the resale value and property present value of different capitalization and discount rates. The cap rates are entered on the Resale Cap Rate Matrix window. You may access the matrix by choosing the Matrix button on the Property Purchase & Resale window. The discount rates are the same ones entered for present value discounting. Note that all calculations and reports that use a single resale value use the resale value determined by the cap rate entered on the Property Purchase & Resale window. The With Cap Rate Matrix report uses the resale values derived by the cap rate range.

This report style displays the selected cap rates on the left side of the report. Each row of the report reflects a different cap rate.

The next column lists the net proceeds from sale for the unleveraged report or the net resale proceeds after debt for the leveraged report. The remaining columns list the present value of the property according to the leveraged or unleveraged discount ranges specified.

“As Of” Date: This option allows you to produce a present value report as of any future date in the analysis. The future present value period can extend beyond the end of the analysis. The start date of the present value period must be within the analysis time frame. This report only uses unleveraged values. To determine the present value as of a future date, choose the PV As Of tab on the Present Value Discounting window. Enter the start date of the secondary discounting period and the secondary term length in years.

The rows of the main section of this report reflect each period of the secondary discounting analysis. The ending month and year for each period are also given in the second column. The third column contains the non-discounted value of each period's cash flow. Each subsequent column reflects the value of this cash flow discounted at the selected rate. At the bottom of this report, the cash flows are summed. The resale is then reported and discounted for each rate.

The total discounted value is then given as the Total Property Present Value. This is the sum of the Total Cash Flow and Property Resale lines. This amount is rounded to thousands and double underlined. The following line is the value of the property given per measurement unit (e.g., square foot), per unit, or per room. The size (e.g., number of square feet), units, or rooms is taken from the Size field in the Property Size area measure category.
- **Cash Flow “As Of” Report:** This option, which is only available when you report the present value as of a future date (see above), allows you to produce a report showing where ARGUS obtained the cash flow items used to calculate the present value for the secondary period.

- **Rolling Present Value (Rolling PV):** This option is only available if you select *Calculate Rolling PV* on the General tab on the Calculation Switches window. See Chapter 28 for more information. The *Rolling Present Value* option creates a Future Present Values report that shows the present value of the cash flow and the resale amounts for each year of the analysis.

**Example**

If the analysis started in 1/01, the first year ended in 12/01, and the term length was 10 years, the report would show the December resale for the years 2010 through 2019 and the January holding period for the years 2001 through 2000.

The first column on the report shows the dates of projected property resale. The second shows the property resale amounts. The third column shows the dates to which the present value is being discounted. The fourth column shows the combined cash flows discounted to the dates in the third column. The fifth column shows the amounts of property resale discounted to the dates in column three. The sixth column shows the combined present values of the cash flow and the resale. The last two columns show the total percentages that the cash flow and resale represent.

**Note:** Scenario entries may affect the results of the Rolling PV report.

- **NPV (Net Present Value) by Source:** This option, which is only available if you include at least one Tenant Group and select the *Calculate this report* option on the NPV by Source window, shows the discount rate entered for each selected Tenant Group, as well as for speculative (future) revenue and residual (resale) value. In addition, this report shows the NPV for the length of the analysis, the percentage of the total for each item, and the full lease NPV for contract items.

**Reporting Units**

You may choose from the following reporting units:

- Whole Currency
- Currency per Property Size
- Currency per Alternate Size

**Leveraged or Unleveraged**

Select one of the following options from the drop-down list in this field:

- Unleveraged
- Leveraged
- Unleveraged and Unleveraged
Include Cents
This option allows you to display cents in some property level reports in apartment and assisted living properties. You can use it when either currency amount (dollars) per unit or currency amount (dollars) per square foot is the selected reporting unit. When reporting units are whole dollars you cannot use this option. You may report cents in the following Property Level reports:

- Schedule of Cash Flow from Operations
- Sources and Uses of Capital – Cash Returns
- Prospective Resale & IRR Summary
- Prospective Present Value Summary

Footnotes
Select this option to include footnotes on the Prospective Present Value Summary. To edit footnotes, choose the Edit button. When you finish, choose OK to return to the Property Level Reports window.

Property Summary Report
This report provides various types of data for a particular property. The information available depends upon the property type and data used in the analysis.

Blocks of data may include timing and inflation, property size and occupancy, general vacancy, credit and collection loss, debt financing, property purchase and resale, and present value discounting.

Depreciation and Taxes
Depreciation and tax information is available on other reports, but the Depreciation and Taxes reports provide additional information.

Reports
Two reports are available on this window:

- Income Statement
- Depreciation Schedule
Income Statement
This report is similar to the Cash Flow report, but it includes depreciated amounts for some items instead of the total expense of the item. It also shows taxable income and income after taxes. The following items are the same as in the Cash Flow report.

- Potential Gross Revenue
- Total Potential Gross Revenue
- Effective Gross Revenue
- Net Operating Income

For information about these items, refer to the Cash Flow section in this chapter.

Leasing & Capital Costs
This section lists the depreciated values for tenant improvements, leasing costs and capital expenditures.

Total Leasing & Capital Costs
This is the total from the Leasing & Capital Costs sub-lines.

Land/Hard/Soft Costs
These lines show items from the Development Cost Property Level windows. Land costs generally reflect building or property purchases. Hard costs are construction costs of tangible items such as buildings, roads, and renovations. Soft costs are costs for intangible items such as building permits, environmental surveys, and hazardous material abatement.

Land/Hard/Soft Cost Totals
These lines reflect the totals for the sub-lines in the Land/Hard/Soft Costs sections.

Building Costs
This is the cost from the Building line in the Depreciation and Taxes window. It shows the depreciation of the initial purchase price using the method selected on the Depreciation and Taxes window.

Debt Interest
This is the debt interest from the Debt Financing window. It reflects the depreciation method selected on the Depreciation and Taxes window.

Taxable Income
This is the Net Operating Income minus the Capital Cost, Debt Interest, and Building Cost.

Income Tax Expense
This item is the Taxable Income that has been multiplied by the ordinary income tax rate from the Depreciation and Taxes window.

Income After Taxes
This item is the Taxable Income minus the Income Tax Expense.
Depreciation Schedule
This report lists the line items on the Depreciation and Tax window. The amount to depreciate is located in the Basis column. If the item on which the line is based continues each year, depreciation will be calculated for each analysis time period.

Frequency
You may choose to report using the following frequencies.

- Annually
- Monthly
- Quarterly

Partner Distributions
To access the Partner Distribution reports, choose Partner Distributions from the Reports menu.

Report
Select the option corresponding to the report you wish to print or view.

- Cash Flow & Summary
- Partner Returns
- Present Value

Frequency
Depending upon the report you select, you may elect to run the reports on an annual, monthly, or quarterly basis.

Report By
You may run Partner Distribution reports for individual partners, multiple partners, or partner groups. To select an individual partner, click the partner name with your mouse. To select multiple partners, click and drag your mouse if the partners are contiguous, or hold down the CTRL key and click each partner.
Example
In the example below, a report will be printed for Partner 1 and Partner 3.

Partner Groups
You may also choose to run reports for partner groups. You select partner groups in the same way that you select multiple or individual partners. To create or edit partner groups, choose Detail while the Partner Groups option is active.

Cash Flow & Summary
This report displays items related to tracking cash flow contributions and disbursements from partners.

Equity Contributions
This line reflects the equity a specific partner has invested.

Cumulative Equity
This line shows the cumulative amount of the partner equity contributions.

Adjusted Equity
If the Reduced Equity field is set to Yes on the Cash Flow Distribution window, this line shows the equity minus the distribution for that time period. This item is cumulative.

Distributions
This line shows the amount paid to a partner from the entries on the Cash Flow Disbursements or Resale Disbursements windows.

Cumulative Distributions
This line shows the cumulative amount of distributions made to a specific partner.

Unpaid Distributions
This line shows partner distributions that were not paid because funds were not available in the cash flow.

Interest
This line shows interest on unpaid distributions.

Partner Returns
This report shows specifically the cash that was returned to partners and the time at which it was returned.

Equity Investment
This line shows the cash invested by a partner in the property.

Cumulative Investment
This line shows the cumulative amount of cash invested in the by a partner.
**Taxes**
This line shows the total amount of income and capital gains tax paid on the partner distribution. Taxes are split based on the cash received.

\[
\text{Partner’s Cash ÷ Total Cash} \times \frac{\text{Total Taxes}}{\text{Total Cash}} = \text{Partner’s Cash Burden}
\]

**Cash Distributed**
This line shows cash returned to the partner during the reporting time period.

**Net Inflow**
This line shows the results from the following equation:

\[
\text{Cash Distributed} - \text{Taxes} - \text{Equity Investment} = \text{Net Inflow}
\]

**Cumulative Inflows**
This line shows the accumulation of the net inflows over the time period displayed.

**Annual Return**
This line shows the annual return of investment for a partner.

**Cumulative Return**
This line shows the cumulative percentage of the annual return.

**Property Resale**
This line shows the amount of cash returned to a partner at the time the property is sold. This amount may reflect all or part of the cash that was not distributed due to a deficit in the cash flow.

**Present Value**
The Present Value report includes items relating to partner cash flow and distribution. It is similar to the property level Present Value report.

The items included in the report are:
- Annual Cash Flow
- P.V. of Cash Flow @ Percentage Rate
- Total Cash Flow
- Total Property Present Value
- Per SqFt
Tracking Reports

The following Tracking reports are available under the Tracking option on the Reports menu:

- Escrow Tracking Reports
- Loss Tracking...
- IRR Tracking...
- Development Cost...

Escrow Tracking Reports

The Escrow Tracking reports, which are available on a monthly and annual basis, show the previous balance, contributions, distributions, interest, and the escrow balance. The Previous Balance line shows any escrow balance carried over from the previous month or year. Escrow distributions cannot exceed the balance for a particular line item. The Interest line shows the interest accrued on the balance for each month or year.

Escrow Line Items

Choose the escrow line items you wish to report on. To select an individual line item, click the item with your mouse. To select multiple items, click and drag your mouse if the items are contiguous, or hold down the CTRL key and click each item.

Style

Specify whether you wish to report net annual escrow amounts or monthly detail.
Loss Tracking Reports

The Loss Tracking reports allow you to track general vacancy and credit and collection losses. These reports include the loss method you selected on the General Vacancy or Credit and Collection Loss window, the rate, the revenue selection, the absorption and turnover (depending upon the selected options), and they will calculate the loss for each group and for the other revenues.

Reports

You may choose from the following reports on this window:

- General Vacancy Tracking
- Collection Loss Tracking

Frequency

Select the frequency with which you wish to report. You may choose from the following options:

- Annually
- Monthly
- Quarterly
IRR Tracking Reports
The IRR Tracking reports allow you to track the components used to calculate leveraged and unleveraged IRR. Note that if you did not elect to specify the components used to calculate IRR, or if you did not enter leveraged or unleveraged discount rates, these reports will not be available.

Reports
You may choose from the following reports on this window:

- Unleveraged IRR
- Leveraged IRR

Frequency
Select the frequency with which you wish to report. You may choose from the following options:

- Annually
- Monthly
- Quarterly
**Development Cost Tracking Report**

The Development Cost Tracking report allows you to track development costs incurred during a specified time period, as well as a cumulative total of those costs.

### Costs to Include

Select the costs you wish to include in the report. Note that the report will only include costs for which you have entered data. You may choose from the following options:

- Land/Acquisition Costs
- Hard/Construction Costs
- Soft/Development Costs
- Tenant Improvements
- Leasing Commissions
- Capital Expenditures
- Unit Construction Costs (Unit Sales only)

### Frequency

Select the frequency with which you wish to report. You may choose from the following options:

- Annually
- Monthly
- Quarterly

**Room Occupancy and Absorption Rates**

This report is only available in hotel properties and is not listed on the Reports menu in other properties. The report includes the following data for the property.

**Rooms Occupied**

This section lists the rooms occupied by month for the years of the analysis. It also includes an average occupancy for each year.

**Net Absorption - Occupancy**

This section calculates the absorption rates for rooms throughout the year.
**Annual Rooms Absorbed**
This line is calculated using the following formula:

Annual Rooms Absorbed - First year calculation

\[
\text{Annual Rooms Absorbed} = \frac{\text{Last Month of Year} - \text{First Month of Year}}{\text{Annual Rooms Absorbed}}
\]

Annual Rooms Absorbed – 2nd, 3rd, etc. year’s calculation

\[
\text{Annual Rooms Absorbed} = \frac{\text{(First Month of Current Year - Last Month of Previous Year)}}{\text{Annual Rooms Absorbed}} + \frac{\text{(Last Month of Current Year - First Month of Current Year)}}{\text{Annual Rooms Absorbed}}
\]

**Average Monthly Absorption**
These figures are based on the Annual Rooms Absorbed figures using the following calculation:

\[
\text{Average Monthly Absorption} = \frac{\text{Annual Rooms Absorption}}{12}
\]

Average Monthly Absorption is rounded up or down to the nearest whole number.

**Percentage Occupancy**
This section is similar to Rooms Occupied, except that it shows the percentage occupancy, rather than actual rooms. It also includes an average occupancy for each year of the analysis.

**Net Absorption - Percentage**
This section calculates the percentage absorption rates throughout the analysis.

**Annual Percentage Absorbed**
This is similar to the previous Annual Rooms Absorbed calculation.

Annual Percentage Absorbed - First year calculation

\[
\text{Annual Percentage Absorbed} = \frac{\text{Last Month of Year} - \text{First Month of Year}}{\text{Annual Percentage Absorbed}}
\]

Annual Percentage Absorbed – 2nd, 3rd, etc. year’s calculation

\[
\text{Annual Percentage Absorbed} = \frac{\text{(First Month of Current Year - Last Month of Previous Year)}}{\text{Annual Percentage Absorbed}} + \frac{\text{(Last Month of Current Year - First Month of Current Year)}}{\text{Annual Percentage Absorbed}}
\]

Unlike the Annual Rooms Absorbed, the Annual Percentage Absorbed is not rounded up to a whole number.

**Average Monthly Percentage**
These figures are based on the Annual Percentage Absorbed figures using the following calculation:

\[
\text{Average Monthly Percentage} = \frac{\text{Annual Rooms Absorption}}{12}
\]
Presentation Rent Roll and Tenant Summary

This report is suitable for direct inclusion in property packages, appraisal reports, and property plans. It summarizes assumptions for all current and option terms as entered on the Rent Roll and Space Absorption windows. The equivalent report for apartment and assisted living properties is discussed later in the chapter.

Include Option Leases
This check box allows you to specify whether you wish to include options on the report. To include options, select the corresponding check box; options will be excluded if you do not select the Include Option Leases checkbox.

Include Notes
This check box allows you to specify whether you wish to include notes on the report. To include notes, select the corresponding check box; notes will be excluded if you do not select the Include Notes checkbox.

Columns
To specify the columns to be included on the report, as well as the space to allocate to each column, choose the Columns button. Note that this feature is only available in office, retail, industrial, apartment, and assisted living properties.

On the Presentation Rent Roll Column Options window, the Visible column allows you to specify columns that should be included in or excluded from the report. You can use the Width column to allocate space for the corresponding column. To reset the width to the standard width, choose Default.
Report Data
This report includes the report data items listed below.

Tenant Number
This section allows you to include tenant numbers corresponding to the order of tenants as they are listed on the Rent Roll window. If you change the order of the tenants of the Rent Roll window, the tenant numbers will change accordingly. If you include option leases on the report, ARGUS will use the number of the original lease on the Rent Roll window. For Space Absorption entries, ARGUS will use numbers corresponding to the order of the entries on the Space Absorption window, preceded by the letter ‘S’.

If you are using Advanced Timing and have option lease entries, but you do not include them on the report, the numbering will not be sequential.

This feature also adds two lines to the bottom of the report. These lines will report the total occupied square footage and the total available square footage of the property.

Description and Tenant Information
This section shows the entry in the Description field on the Rent Roll or Space Absorption window. The second line shows the lease type and suite. If this is an absorption space, the month, quarter, or semi-annual period in which the lease begins will be shown as the suite number. The third line shows the lease start date for both leases and absorption spaces in the MM/YYYY format (June 2001). The expiration date appears to the right of the start date in the third line. The fourth line shows the term length as a number of lease months.

If you did not enter a start date on the Rent Roll window, it will be replaced by a dash and the term length will not be displayed. Instead, the third line with show the expiration date.

Floor, Size, and Building Share
This first line of this section shows the floor entered using the More/Notes field on the Rent Roll window. The second line shows the first term tenant size (e.g., square footage). The third line shows the natural pro-rata share of the tenant. ARGUS calculates the building share by dividing each tenant's size by the property size entered in the associated Area Measure category.

In addition, the total occupied and total available square footage for the building are reported in the last rows of this column.

Rate & Amount per Year per Month
In this section, the base rent is displayed in the following four formats:

- Currency per measurement unit per year
- Total currency per year
- Currency per measurement unit per month
- Total currency per month

ARGUS rounds the measurement unit values to the nearest cent, and the total currency values to the nearest currency unit (e.g., dollar).

If the tenant's rent is set to market value by leaving the Base Rent field blank on either the Rent Roll or the Space Absorption window, the phrase @ 100 percent of Mkt. will also appear. The remaining values are as described above.

Changes On & Changes To
The month in which a tenant's rent changes is displayed in specific date format, even though it may be entered as either a date or a relative lease month number.
The change in rent will be reported as the currency per measurement unit (e.g., dollars per square foot) per year rate to which the rent changes on that date, even though it may be entered as either a currency per measurement unit rate or a total currency per year amount.

The changes in rent reported in this column can be from Detailed Base Rent or Step Rent Adjustment categories. The change in rent is included as the new total rent in the Changes to column.

**Rent Categories**

There are three Rent Change categories that may be listed in this section. If you did not use any of these categories for the tenant, a dash will appear instead.

The first line shows the name of the CPI rent adjustment category. The second line shows the amount entered as the current amount for CPI rent. These two lines will be blank if there are no CPI changes.

The third line shows the name of the Porters’ Wage category, and the fourth shows the name of the Miscellaneous Rent category. If you did not use these categories for the tenant, these lines will be blank.

**Months to Abate and Percent to Abate**

This column reflects the entry in the Rent Abatement field on the Rent Roll or Space Absorption window. If you did not enter rent abatements, a dash will appear instead. The lease month numbers to be abated are shown in the Months to Abate column. If a series of months are to be abated, the first and last month of the series will be shown, separated by a dash.

The Percent to Abate column shows the abatement percentage of the months shown in the Months to Abate column.

**Description of Expense Reimbursements**

There are several standard phrases that ARGUS may display in the Reimbursement column. ARGUS also includes specific values that were entered or calculated.

If you used a Detailed Reimbursement Method category, the following phrase will appear:

```
See method CATEGORY NAME
Reimbursement.
```

The category name is the name entered in the Category field in the tenant's Detailed Reimbursement Method category.

If you did not use a Detailed Reimbursement Method category, the following general rules apply:

If you entered a zero in the Reimbursement field on the Rent Roll or if you assigned the Net Pro-Rata method to the tenant, the following phrase will appear:

```
Net: Pays a full pro-rata share of all reimbursable expenses.
```

If you entered anything other than zero in the Reimbursement field and assigned the Base Year Stop method to the tenant, the following phrase will appear:
Gross: Pays the increases over a base year ending XXX-2000#: $###.##

If you assigned the *None* method to the tenant, the following phrase will appear:

Full Service:  
Pays no expense reimbursement.

**Leasing Costs**

If the lease start date falls after the analysis start date and tenant improvements or leasing commissions are assigned to the tenant, they will be reported in the respective Improvements or Commissions column.

For each tenant, the first line of the Tenant Improvements column shows the per area measurement unit (usually square foot) rate used for tenant improvements. The second line will be blank. The third line shows the total amount to be paid for tenant improvements. This is the rate on the first line multiplied by the tenant size.

The first line in the Leasing Commissions column shows the rate per area measurement unit (usually square foot). The second line shows the percentage of rent the commission amount is equal to. The percentage is calculated from the total base rent, including steps, for the entire lease term. The total amount of the commission is shown on the third line.

**Retail**

Retail sales, percentage rent, and breakpoints for tenants will be reported in this column. If a tenant has no retail sales, a dash will appear instead.

The first line shows the sales amount as a currency amount per square measurement unit per year.

The second line shows the breakpoint as a currency per area measurement per year. If no breakpoint was entered, the word *Natural* appears instead. This means the breakpoint is assumed to be equal to the Base Rent plus Stepped Base Rental Adjustments and/or CPI rent, divided by the Overage Percentage.

The Overage Percentage is reported on the third line, unless you used a detailed Retail Sales Rent category. If you used a category, it will be reported as follows:

```
$###.##
$###.##
See retail CATEGORY NAME
```

The first two lines are the sales volume and the initial breakpoint described above.

**Expiration**

The last column describes the assumptions used when the current term ends. If the space is going to be re-leased using the Market Leasing Assumptions, the percentage entered in the **Renewal Probability** field on the Rent Roll will be reported. The Market Leasing Assumption category will also be reported.

**Notes**

If you elected to print notes, they will print below each tenant block.
Apartment/Assisted Living Presentation Rent Roll and Leasing Summary

The Presentation Rent Roll for apartment and assisted living properties is similar to the report produced for office and retail properties. The main difference is that many amounts are printed as per unit and not per square foot. The leasing commissions are expressed as the number of months, not as a percentage. It is important to remember that the apartment and the assisted living Presentation Rent Rolls can represent many units on one line. This may cause income amounts to vary greatly from line to line.

For information on sizing and excluding columns from the Presentation Rent Roll, see the section relating to the Presentation Rent Roll for office, retail, and industrial properties that appeared earlier in this chapter.

Individual Tenant Reports

When you select the Individual Tenant option from the Reports menu, the Individual Tenant Reports window appears.

The Individual Tenant option on the Reports menu is not available in apartment, assisted living, or hotel properties. It is replaced by the similar Individual Unit menu option, which is discussed later in this chapter.

Report

Select the type of report you wish to print, view, or export. You may choose from the following report types:

- Cash Flow & Summary
- Reimbursement Detail
- Reimbursement Detail by Expense
- Lease Value Summary
- Tenant Roster
Note: The Lease Value Summary and Tenant Roster options will not be available if you choose to report by tenant groups rather than individual tenants.

Combine Options
This check box is available when you select the Cash Flow & Summary report. Select it to combine options with the original lease.

If you do not select this item, both regular and option leases will be listed in the Tenants section of the window. The Individual Tenant Cash Flow reports for both the original and option leases will include a For This Tenant section.

If you select this item, one lease will be shown for the original lease and corresponding option leases in the Tenants section of the window. These leases will be combined on the Cash Flow report and their revenues and expenses will be listed as if for one tenant. A For This Tenant section will not appear on the report.

Note: This option will not be available if you choose to report by tenant groups rather than individual tenants.

Combine Non-Contiguous Leases
This check box allows you to report all non-contiguous lease lines that are part of the same lease on one page.

Note: This option will not be available if you choose to report by tenant groups rather than individual tenants.

Style
Your selection in the Style section of the window determines the basis for the report. You may choose from the following options:

- Whole Currency: This option specifies that the report will show revenues and expenses using whole currency amounts.

- Currency per Measure: This option specifies that the report will show data on a currency per measure basis.

- Currency per Unit/Month: This option is only available in apartment and assisted living properties. It is described in the Individual Unit section.

- Currency per Measure/Month: This option is only available in apartment and assisted living properties. It is described in the Individual Unit section.

Frequency
Your selection in this section of the window determines whether the data will be reported on a yearly, monthly, or quarterly basis.

Report By
This section of the window allows you to specify whether to report on individual tenants or on tenant groups. If you select Tenants here, the left side of the window will list individual tenants; if you select Groups, the left side of the window will list the tenant groups available for reporting.

If you choose to report by tenant groups, data will be reported in terms of tenant groups, rather than individual tenants. In this case, the value for each line item will be the sum of the values for each tenant in the selected group.
Tenants and Tenant Groups
If you choose Tenants in the Report By section, the left side of the window lists the tenants from the Rent Roll and Space Absorption windows. If you choose Groups in the Report By section, this section lists the available groups. To select multiple tenants or tenant groups, click and drag with the mouse, or hold down the CTRL key while clicking individual tenants or groups.

Cash Flow & Summary
You can specify that the Individual Tenant Cash Flow & Summary be reported monthly, quarterly, or annually. There is also a Total Cash Flow report that totals all items from all tenants. Every line item on a tenant report will be printed for each tenant, even if the line item is not applicable to that tenant. This results in a standardized report for all tenants.

Following the title line, this report will print or display the name of the tenant, the suite, the area, and the Market Leasing Assumption category used.

Tenant Potential Gross Revenue
Tenant potential gross revenue includes the following items.

- **Base Rental Revenue:** Base rental revenue is the maximum amount of base rent the tenant can generate. Base rental revenue has two components: leased space and available space. The base rental revenue of leased space is the square footage multiplied by the rent per square foot. The base rental revenue of the available space is the square footage multiplied by the market rent in the tenant's Market Leasing Assumption category.

  Entries on the Space Absorption window are considered available from the date available. Space entered on the Rent Roll window is considered available between leases. If the start date entered on the Rent Roll does not take affect until after the analysis start date, the availability of the space is determined by the method of entry for the start date. If the start date was entered as a relative date, the space is available and will have base rental revenue from the beginning of the analysis. If the start date was entered as a fixed date, the space will not have base rental revenue until a lease begins for the space.

- **Absorption & Turnover Vacancy:** Absorption vacancy is from space that is vacant at the start of the analysis. Space entered on the Space Absorption window will usually have absorption vacancy. This depends on when the space is available and when the space is leased. Space must be available and unleased to have absorption vacancy. Space entered on the Rent Roll with a relative start date will also have absorption vacancy. Absorption vacancy for a space will end when the first lease for the space begins.

  Turnover vacancy is caused by the downtime between leases. The length of downtime between leases is controlled by the entry in the Months Vacant field in the associated Market Leasing Assumptions category. The amount of absorption and turnover vacancy in a month equals the amount of base rental revenue in that month. The vacancy is equal to the amount of potential base rent the space could have collected if it had been occupied.

- **Rental Abatements:** Rental abatements are free base rent amounts given to the tenant. For current leases, this amount is entered in the Rent Abatement field on either the Rent Roll or Space Absorption window. For future leases, this amount is controlled by the entry in the Rent Abatement field in the associated Market Leasing Assumptions category.

- **Scheduled Base Rental Revenue:** This item is the sum of the base rental revenue, absorption and turnover vacancy, and rental abatements. It is the amount of base rent that can be collected from the tenant.
- **Base Rental Step Revenue**: Base rental step revenue is entered in the Rent Changes field on the Rent Roll, Space Absorption, or Market Leasing Assumptions window. Changes in rent that were entered on the detailed Base Rent window will be reported on the Base Rental Revenue line.

- **Porters' Wage**: Porters' wage is entered in the Rent Changes field on the Rent Roll, Space Absorption, or Market Leasing Assumptions window. The amount is dependent upon the Porters' Wage category, Porters' Wage Index, and the lease start date.

- **Miscellaneous Rent**: Miscellaneous Rent is entered in the Rent Changes field on the Rent Roll, Space Absorption, or Market Leasing Assumptions window. It can be any percentage of the tenant's other revenues.

- **CPI & Other Adjustment Revenue**: CPI revenue is an annual percentage increase in the tenant's rent, based upon the entry of CPI on the Rent Changes window. CPI is calculated based upon the sum of the previous lease period's base rental revenue, base rental step revenue, and CPI rent. This sum is multiplied by the previous period's CPI rate and is applied in equal monthly installments during the current lease period. Annual percentage increases in rent entered on the detailed Base Rent window will not be reported on this line.

- **Retail Sales Percentage Revenue**: The amount of this item is determined by entries in the Volume, Breakpoint, and Percent Rent fields on the Retail Sales window. Detailed Retail Sales categories can also affect this amount. A tenant's retail sales percent revenue is determined by subtracting the breakpoint from its current retail sales and then multiplying by the overage percentage.

- **Expense Reimbursement**: The expense reimbursement amount is controlled by many entries and factors. This amount may be tracked on the Schedule of Expense Reimbursement Revenue and the Individual Tenant Reimbursement Detail reports.

**Total Potential Gross Revenue**
This is a sum of the Potential Gross Revenue items. It shows the revenue that the property will receive for the space if there is no general vacancy or credit loss.

**Leasing and Capital Costs**
This section shows information about the leasing and capital costs of the tenant.

- **Tenant Improvements**: This is the improvement allowance for the tenant. In apartment and assisted living properties, this line is labeled Preparation Cost.

- **Leasing Commissions**: This line shows the tenant’s leasing commissions. In apartment and assisted living properties, it is labeled Leasing Cost.

**Total Potential Net Cash Flow**
This line is the total Potential Gross Revenue minus the tenant improvements and leasing commissions.

**For This Tenant Section**
This section shows information about the tenant if there are no options on the lease and the Combine Options check box is not selected. If there are no options and the check box is selected, this section will be included in the report.

- **Lease Expiration Date**: This item shows the calendar lease expiration date in the corresponding year of the analysis. This line is not included in apartment and assisted living properties.
- **Potential Market Rent per Area Measure**: This is the market rent from the associated Market Leasing Assumptions category. In apartment and assisted living properties, it is reported as Potential Market Rent per Unit per Month.

  Effective base rent per area measure is the Scheduled Base Rental Revenue divided by the square footage of the space. This line indicates the amount of base rent per square foot the tenant pays during the year. Vacancy and rent abatements will reduce this amount. In apartment and assisted living properties, this line is reported as Effective Base Rent per Unit per Month.

- **Retail Sales per Retail Foot**: This line reports the volume of retail sales per square foot for retail tenants. It does not report the amount of retail sales percent revenue per total square foot.

- **Average Occupancy**: This is the average amount of space the tenant occupied during the year. It can never be greater than the tenant’s square footage. Actual vacancy from absorption or downtime will reduce this number.

### Reimbursement Detail

The Individual Tenant Reimbursement Detail report lists the amount that the tenant is reimbursing for all reimbursable operating expenses. This report is available monthly, quarterly, or annually. This amount may be tracked by the Schedule of Expense Reimbursement Revenue report and by the tenant's input assumptions.

If a tenant is reimbursing expenses over a base and a detailed reimbursement method is not used, the reimbursements will not be reflected correctly for each individual expense item, but the total reimbursements will be accurate. If no detailed reimbursement method is used with a base year stop, the total reimbursement will be divided equally among each reimbursable expense.

### Reimbursement Detail by Expense

The Reimbursement Detail by Expense report allows you to determine the amount that a tenant is reimbursing for individual expenses. This report is available on a monthly, quarterly, and annual basis.

### Lease Value Summary (First Term Only)

This report discounts the cash flow of a tenant and subtracts the leasing costs to arrive at a contribution after leasing costs. The tenant’s pro-rata share of the expenses will then be subtracted to arrive at a net contribution after expenses.

The first column shows the total lease payments. This is the sum of all payments received from the tenant. The next column shows the same value per the tenant's area. The third column reports the monthly effective rate of the lease payments over the life of the lease. The next column reports the same amount on an annual basis. The fourth column capitalizes the annual effective rate.

The next three columns report the present value of the total lease payments as of the lease start date. These columns provide the following information: total present value, present value per foot, annualized present value per foot. If the lease begins before the analysis, these amounts will be discounted to the analysis start date.

The last three columns report the present value of the total lease payments as of the analysis start date. These columns provide the following: total present value, present value per measurement unit (e.g., present value per foot), and annualized present value per measurement unit (e.g., annualized present value per foot).
Tenant Roster

The Tenant Roster shows data for tenants with current leases on the analysis start date. Report options such as frequency, tenants, and style are unavailable on this report. The report does not include entries on the Space Absorption window. The items shown for each tenant are as follows:

- Suite #
- Start Date
- Expiration Date
- Term Years
- Term Months
- Area
- Total Per Foot
- Rent Per Year
- Rent Changes
- Retail Sales Rent Changes
- Abatements

The report also includes a total area count, total rent per year and weighted averages for term years, term months, area, and total per measurement unit (e.g., total per foot). The rent per year and rent per square foot include all rent items.

Individual Unit

The Individual Unit window is similar to the Individual Tenant window. However, there are several differences between the two windows. The Reports section lists unit types rather than tenants, and the Reimbursement Detail, Reimbursement Detail by Expense, Combine Options, and Combine Non-contiguous Leases items are not available on the Individual Unit window. For a detailed description of the window, see the Individual Tenant section in this chapter.

Style

The following styles are available on the Cash Flow report; you may only use whole currency amounts on other reports.

- **Whole Currency**: This option specifies that the report will show revenue and expenses for the unit multiplied by the number of units leased.
- **Currency per Unit**: This option specifies that the report will show revenue and expenses in terms of one unit or the type chosen.
- **Currency per Unit/Month**: This option specifies that the report will show revenue and expenses for one unit for one month.
- **Currency per Measurement Unit/Month**: This option specifies that the report will show revenues and expenses for each measurement unit (e.g., square foot) of the tenant on a per month basis.
occupied area measures report

the occupied area measures report shows data for the occupied area categories in the area measures window.

you can generate reports for both user-defined occupied area measures and those created by argus. the availability of reports depends on tenant groups, detailed reimbursement methods, and tenant type. the following reports are created by argus:

- occupied total
- occupied office
- occupied retail
- occupied industrial
- occupied pool minor

the reports also include renewal and vacancy data. option leases are included as their initial lease type.

occupied total
this report tallies all the occupied space from the office, retail, and industrial occupied area measures. it does not include occupied pool minor data.

occupied office
the occupied office report includes occupancy data from office tenants.

occupied retail
the occupied retail report includes occupancy data from retail tenants.

occupied industrial
the occupied industrial report includes occupancy data from industrial tenants.

occupied pool minor
the occupied pool minor report includes data from detailed reimbursement categories. the data may come from different tenants with different property types but all using the same detailed reimbursement category. this report is displayed as per expense/pool occupied area.
Market Leasing Assumptions

The Market Leasing option on the Reports menu displays a category window listing the market leasing assumption categories available in the analysis.

Report Data
This report includes the following Market Leasing Assumptions items:

- Renewal Probability
- Market Rent
- Months Vacant
- Tenant Improvements
- Leasing Commissions
- Rent Abatements (or Market Rent Abatements)
- Rent Changes
- Retail Rent Changes
- Reimbursements
- Term Lengths in Years

Weighted items
The items on the report that are weighted by the renewal probability include:

- Market Rent
- Months Vacant
- Tenant Improvements
- Leasing Commissions
- Rent Abatements (or Market Rent Abatements)

If you use detailed categories in the Market Leasing Assumptions, the name of the category will not appear in the Market Rent, Months Vacant, Tenant Improvements, or Leasing Commissions line items. However, data from the categories will be included on the report. You can see the names of detailed categories on the Input Assumptions report for Market Leasing Assumptions.

Note: Unless you used Market Rent Abatement categories, the Rent Abatement line item differs from the other weighted items. When you use Rent Abatement categories, the line displays the category name and not the actual figures. The contents of the category are available in the Rent Abatements Input Assumptions report.

Non-Weighted Items
The non-weighted line items include the following:

- Rent Changes
- Rent Changes
- Reimbursements
- Retail Sales Rent Changes
- Term Length in Years

The data may be values or detailed category information depending on the item.
**Term Overrides**

This section of the report shows any entries in the Term override fields on the Market Leasing Assumptions window. If there are no entries in these fields, the individual line items will be replaced by a *No Term Overrides* line.

**Supporting Schedules by Tenant**

The reports in this section all follow the same format, with the exception of the Lease Expiration reports.

**Report By**

This section of the window allows you to choose whether to report by tenants or by tenant groups.

If you choose *Groups* here, data will be reported in terms of tenant groups, rather than individual tenants. In this case, the value for each line item will be the sum of the values for each tenant in the selected group. Reports dealing with rates (such as the Prevailing Market Rate per Square Foot report) will report the average of the tenants in each tenant group. Square footage reports will sum the value for each tenant in the group and divide the total by the sum of the square footage occupied by each tenant in the group. The User-Defined Supporting Schedules will sum the values of each tenant in the selected group.

**Note:** The Lease Expiration – First Term schedule, which relates to individual tenants, is not available when you report by tenant groups.

**Frequency**

Standard and Per Tenant per Measurement Unit (e.g., square foot) Supporting Schedules can be created on an annual, monthly or quarterly basis as indicated by the radio button in the Frequency section at the bottom of the report selection window. Annual reports are the default.

**Standard Reports**

To generate standard reports, choose Supporting Schedules from the Reports menu, and then choose Standard. The following reports are available for office/retail properties:

- Lease Expiration - First Term
- Lease Expiration - All Terms
- Occupancy & Absorption Rates
- Average Square Feet Occupancy
- Prevailing Market Rate/Measurement Unit
- Scheduled Base Rent/Measurement Unit
- Scheduled Base Rental Revenue
- Base Rent Abatements
- Absorption & Turnover Vacancy
- Base Rental Step Revenue
- CPI & Other Adjustment Revenue
- Retail Sales Percent Revenue
- Expense Reimbursement Revenue
- Tenant Improvements
- Leasing Commissions
- Retail Sales/Measurement Unit
- Porters' Wage Revenue
- Miscellaneous Revenue

Apartment and assisted living properties have a different set of standard reports:

- Occupancy and Absorption Rates
- Average Occupancy per Unit
- Average Market Rate /Unit/Month
- Actual Base Rent /Unit/Month
- Scheduled Base Rental Revenue
- Base Rent Abatements
- Absorption & Turnover Vacancy
- Unit Preparation Costs
- Unit Leasing Expenditures

Some of the standard reports may not be available if no information was entered for a particular item. The standard reports are formatted on a whole currency basis.
Per Measurement Unit (Square Foot) Reports

You may also create Supporting Schedule reports on a per tenant measurement unit basis for office, retail and industrial properties. To access these reports, choose the Per Tenant Area item from the Supporting Schedules sub-menu. The following reports are available:

- Prevailing Market Rate/Measurement Unit
- Scheduled Base Rental Revenue
- Base Rent Abatements
- Absorption & Turnover Vacancy
- Base Rental Step Revenue
- CPI & Other Adjustment Revenue
- Retail Sales Percent Revenue
- Expense Reimbursement Revenue
- Tenant Improvements
- Leasing Commissions
- Retail Sales/Measurement Unit
- Porters' Wage Revenue
- Miscellaneous Revenue

Per Unit/Month Reports

The following reports are only available in apartment and assisted living properties:

- Average Market Rate /Unit/Month
- Actual Base Rent /Unit/Month
- Base Rent Abatements
- Absorption & Turnover Vacancy
- Unit Preparation Costs
- Unit Leasing Expenditures

Per Measurement Unit/Month Reports

The following reports are only available in apartment and assisted living properties:

- Schedule Base Rental Revenue
- Base Rent Abatements
- Absorption and Turnover Vacancy
- Unit Preparation Costs
- Unit Leasing Expenditures

User Defined Supporting Schedules

The reports on the User Defined Supporting Schedule menu are dependent on your entries. ARGUS is shipped with a number of reports already created.

Unlike Supporting Schedule reports created by ARGUS, you can delete user-defined reports with the Delete button. In addition to the Delete button, the User-Defined Supporting Schedule window has the usual report buttons as outlined in the Report Commands section earlier in this chapter. The other buttons, New, Copy, Edit, and Help, are the same as in other category windows.
Creating a User Defined Supporting Schedule

To create a Supporting Schedule, choose New on the User-Defined Supporting Schedules window.

**Menu Item Name**
Enter the name you wish to display on the User Defined Supporting Schedule menu. This name will not appear on the report.

**Report Title**
Enter the title you wish to assign to the report. Your entry will appear centered at the top of the report.

**Report By**
This section of the window allows you to choose whether to report by tenants or by tenant groups. If you choose Groups here, data will be reported in terms of tenant groups, rather than individual tenants. In this case, the value for each line item will be the sum of the values for each tenant in the selected group.

**Values Reported As**
Select the unit of measure you want to use in the report. You may choose from the following options:

- Whole Currency Amounts
- Currency per Initial Tenant Size
- Currency per Retail Sales
- Currency per Market Value

The Whole Currency Amount selection does not modify the numbers. The other three selections divide the whole currency amounts by the selected item.
Selecting Items
The left side of the window shows a list of data items that you can include on the report. These items can be added or subtracted to arrive at the reporting value. The items to be included in the final report will be marked with a plus or minus sign to the left of the item. Click an item to include it in or exclude it from the report.

The items with a plus sign to the left of the title will be added. The items with a minus sign to the left will be subtracted. The resulting values are determined by the selection in the Values Reported As section of the window. The resulting values will be reported when the schedule is viewed, printed, or exported.

Report Descriptions
Lease Expiration Reports
These reports list the tenants in the order in which the leases expire. These reports are not available in apartment and assisted living properties.

Lease Expiration - First Term
The Lease Expiration - First Term report lists the expiration of all tenants' first terms. At the end of every year, a total will be given of the measurement units (e.g., square feet) that expired during the year. The percent this represents of the total building will also be displayed. The total of all current leases that expire during the analysis will be displayed at the bottom of this report.

The first column of this report shows the tenant number. This number indicates the order in which the tenant will appear on all non-lease expiration supporting schedules. The second column shows the tenant names. This is followed by the tenant suite numbers in the third column. The fourth column reports the name of the associated Market Leasing Assumptions category. The fifth column reports the Base Rent per Measurement Unit during the year in which the lease expired. This matches the Effective Base Rent per Measurement Unit from the Individual Tenant Cash Flow & Summary. The sixth column shows the month and year in which each lease will expire. The seventh column reports the square footage of the expiring lease. This is followed in the next column by the pro-rata share of the building that the space represents.

Lease Expiration - All Terms
This report lists tenants in the order in which their first lease expires. This order is different from the other Line Item Supporting Schedules. Each tenant is shown in a separate row. Each column reports a separate year.

When a lease expires, the size (e.g., square footage) of the lease is reported. The total for each year is summed in the Total Measurement Units Expiring line. The Percent of Total Expiring line represents the Total Measurement Units Expiring as a percentage of the total building. This is calculated by dividing the total measurement units expiring in the year by the Property Size.

Occupancy & Absorption Rates
This report does not show tenants. It includes a row for each month, and a column for each year of the analysis. The occupancy of the property is reported for each month of the analysis. Below the months, the Average Occupied for the Year is reported. Below this line are several lines that show the net absorption for the year, both on an annual and monthly basis. The second block of the report contains the same information expressed as a percentage of the property size.

Other Line Item Supporting Schedules
These reports show a particular item for each tenant. The selected item is reported in the title of the report. Tenants are listed in the same order in which they are entered on the Rent Roll.
On the Total Currency report, a total is reported at the bottom of each column. This is followed by the Weighted Average Amount per Measurement Unit line.

On reports that are per tenant size, there is no total line. Exceptions to this are noted below.

The Average Measurement Units Occupied report includes the Average Percentage Occupancy, not a weighted amount per measurement unit.

The Retail Sales per Measurement Unit report reports the Weighted Average per Retail Measurement Unit.

**Graphs**

ARGUS has the capability of graphing the projected data used in an analysis. To access the Graph Selection window, select the **Graph** option from the **Reports** menu on the ARGUS initial menu screen. The following graphs are available:

Below is a brief description of each graph.

**Annual Net Operating Income**
This graph depicts the trend of total annual Net Operating Income for each year of the analysis over the projected analysis period.

**Annual Cash Flow Before Debt**
This graph depicts the trend of the total annual Cash Flow before Debt for each year of the analysis over the projected analysis period.

**Percent of Expenses Reimbursed**
This graph depicts the trend of the total annual percentage of expenses that are reimbursed for each year of the analysis over the projected analysis period.

**Annual Resale Before Debt**
This graph shows the annual resale price trend of the property before deducting any existing debt for each year of the analysis over the projected analysis period.

**Internal Rate of Return**
This graph depicts, in dual comparison, the trend of annual internal rates of return before and after debt for each year of the analysis over the projected analysis period. A pie chart is not available for this graph.
Unleveraged Present Value
This is a line graph that depicts the level of the unleveraged present value over the range of selected discount rates.

Measurement Units (e.g., square feet) Expiring
This graph depicts the trend of total annual occupied measurement units that expire and become vacant during each year of the analysis over the projected analysis period.

Percent Occupancy by Year
This is a line graph that depicts the trend of occupancy over the projected analysis period.

Distribution of PV
This is a pie chart which depicts the components (prospective cash flow, assured cash flow, resale) of the total present value, distributed based on each component's contribution to total present value. A line graph is not available for this data.

Market Vs. Effective Rent
This graph depicts, in dual comparison, the trend of Market Rent and Effective Rent for each year of the analysis over the projected analysis period. A pie graph is not available for this graph.

To view a graph, highlight the desired graph and choose OK.

Command Buttons
The following command buttons are available on the various graph windows.

<table>
<thead>
<tr>
<th>Choose...</th>
<th>To...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close</td>
<td>To exit the window.</td>
</tr>
<tr>
<td>Print</td>
<td>Open a standard Windows screen where you can select printing options.</td>
</tr>
<tr>
<td>Clipbrd</td>
<td>Save the graph to the Windows clipboard for pasting into other applications</td>
</tr>
<tr>
<td>Options</td>
<td>Display the Graph Options window.</td>
</tr>
</tbody>
</table>

Note: Pie charts will not accurately show negative numbers. If the data for a pie chart is all negative numbers, no pie chart will be displayed. Negative numbers will be displayed properly in bar and line graphs.
Graphing Options
The Graph Control window includes tabs that list many graphing options you can select. For information about each of the individual graphing options, see the ARGUS online Help system.
Input Assumptions

The Input Assumptions option on the Reports menu allows you to report the data that has been entered on various ARGUS windows. These reports may include detailed information that is not shown in other reports.

Exporting Reports

You can save ARGUS reports in formats that can be used in other applications such as word processors and spreadsheets. ARGUS allows you to export reports in the following formats:

- Excel
- Word Processors
- Lotus 123

If a program you are using is not listed above, check its documentation for the type of data file it imports. ARGUS exports data in the following formats:

<table>
<thead>
<tr>
<th>Data Type</th>
<th>Select the Following</th>
</tr>
</thead>
<tbody>
<tr>
<td>Text</td>
<td>Word Processor File</td>
</tr>
<tr>
<td>Comma Separated Values</td>
<td>Excel Import File</td>
</tr>
<tr>
<td>Comma &amp; &quot; &quot; Delimited File</td>
<td>Lotus Import File</td>
</tr>
</tbody>
</table>

Note: You can also export reports directly to Microsoft Excel from the View screen. See the Report Commands section in this chapter for more information.
Exporting

To export reports, select the reports you wish to export, and then choose Export.

File Type
Select the file type in which you wish to save the ARGUS report.

Prompt
The Ask for filename and directory prompt allows you to specify whether you wish to save the exported file under another name, append an existing export file, or overwrite an existing export file. Enter a new name in the File name field, select a different directory for the export file, or accept (or select) the name of an existing ARGUS file.

When you finish, choose Save. If you selected the name of an existing export file, the following message appears.

To overwrite the existing file, choose Overwrite. To add the exported data to the file without overwriting the existing data, choose Append. To return to the Property Level Reports window without exporting, choose Cancel.
Exporting only the Cash Flow

These reports are generated using the Export buttons on the Report Type tab in the Cash Flow Options window, rather than the Export button on the individual report windows.

Data Type Select the Following
Monthly Import File .$LL
Data Interchange Format .DIF

Any program that can import one of these formats can use ARGUS export reports.

The export file will have the same name as the ARGUS property data file from which it was created. The file extension will vary with the type of file that is created. The file extensions are listed below.

File Type Extension
LOTUS Import File .PRN
EXCEL Import File .CSV
Word Processor Import File .TXT
Monthly Import File .$LL
DATA INTERCHANGE Import File .DIF

Note: If you are printing to a Comma Separated Value (CSV) format file, you should remove any commas that may have been entered in revenue and expense labels, or tenant names on the ARGUS input windows. If not removed, the text of the export file that follows the comma will be shifted to the field to the right and all other fields will be correspondingly shifted right.
Options

Right Margin when Exporting
When you print export files, remember that the spreadsheet is typically wider than your printer. If your analysis spans several pages when you print it directly from ARGUS, it will require a similar amount of space when you print the exported report. ARGUS will paginate the export file as if it were being printed. When you import the file into another program, you will see pages similar to those on paper.

To include all years on the same line, you can choose the Options button and change the right margin prior to exporting, or you can move the block of numerical data up and to the right while in your spreadsheet or word processor.

The ARGUS defaults are as follows:

<table>
<thead>
<tr>
<th>Left Margin</th>
<th>Right Margin</th>
<th>Page Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>176</td>
<td>60</td>
</tr>
</tbody>
</table>

ARGUS files that are exported to Lotus and Quattro should have a left margin of 0 and a right margin of 211 or less. If the right margin plus the left margin is greater than 211, Lotus will display an error stating that the line length exceeds 240 characters. To prevent this, reset the right and left margins so that their sum is less than 211.

When you use this format, each column has two " characters added to it. The sum of the column widths, plus 2 times the total number of columns, must be less than 240. Using the standard ARGUS column widths will result in a maximum of 14 years in one row. Label 32 + 14 years x 12 + ( 15 columns x 2 characters per column ) = 230.

Because Microsoft Excel does not impose the same line length limit, you may set your right margin to greater than 211 when exporting to Excel.

When exporting wide reports to a word processing file, remember that if you intend to print the report along with text from a packaging or appraisal document, you will need to change the size of the text on this portion of the document so that it will accommodate the number of columns allowed by your paper width (i.e. Portrait - 8.5" side to side, as opposed to Landscape - 11" side to side). It is also possible to change your right margin setting in ARGUS to match the number of characters that will print in your word processor. Then each time you export to a text file, you will not have to reformat the imported file in your word processor.

Importing Word Processing .TXT Files
Most popular word processing programs will import an ASCII file, which is the file format used for text (.TXT) files. The extension of .TXT is added to this file for convenience and identification purposes only. Most word processors will import the file with the .TXT extension.

Prior to exporting the file from ARGUS, make sure that the right margin (see above) is set to the maximum your word processor will accommodate.

1. Make sure that the text file you wish to import is copied into your word processor's data directory, or set your word processor's data file directory to the same DOS path as your ARGUS data file directory. Refer to your word processor's reference manual for data directory settings.

2. Follow the word processor's commands for file retrieval or importing.
Importing Microsoft Excel .CSV Files

1. Make sure that the .CSV file you wish to import is copied into your Excel data directory, or set your Excel data file directory to the same path as your ARGUS data file directory. Refer to your DOS or Windows reference manual for file copying commands, or your Excel reference manual for data directory settings.

2. When you are ready to import the file, choose Open from the File menu.

3. Excel will display a file selection window. At this prompt, type the name of the file to import and press ENTER.

Report Packages

The Report Packages option allows you to group a series of ARGUS reports together into a “package” that you can print, view, or export using a single command. This can save you a great deal of time if you run reports frequently.

When you create a report package, you will be recording the sequence of actions it takes to print, view, and/or export the reports included in the package.

You can then select that report package whenever you need to run those reports. For example, if you often print the Cash Flow and Depreciation and Taxes reports and then export the Presentation Rent Roll, you can create a report package that will do so.

Note: Input Assumptions and Graphs are not available for use in report packages.

To display the Report Packages window, select Report Packages from the Reports menu.

Note: You may also create global report packages. This allows you to use the same package of reports in different files. For more information on global report packages, see Chapter 30, Global Categories.
Creating a Package

To create a report package, you must record the sequence of actions it takes to produce the reports in the package.

1. Choose the **Record** button. ARGUS closes the Report Packages window and returns you to the ARGUS initial screen. Until you choose the **Stop** button on the Report Packages window, ARGUS will record each action you perform.

2. Choose the first report you want to include in the package.

   **Note:** If you choose the Individual Loan and Debt Service Summary on the Property Level Report window, you must then select the note or the **Consolidation of all notes** option. If you wish to include more than one Debt report selection in the report package, you must choose each option separately. If you choose more than one Debt report selection at the same time, the report package will only include the first of the selections.

3. Choose the action (i.e., print, view, or export).

   **WARNING:** If you include exported reports in the report package, when you run the package, the **Ask for Filename and Directory** check box on the Export window must be selected or the exported file will overwrite the previous one. All selected reports will be included in one file. Do not include reports requiring different options in the same package. See the *Exporting Reports* section in this chapter for more information on exporting.

4. Once the report has been printed, viewed, or exported, choose **Close**.

5. Select any additional reports you want to include in the package.

6. When you finish, select the **Report Packages** option from the **Reports** menu again, and choose **Stop**. The Report Package Name window appears.

7. Enter a unique name for the package and choose **OK**. If you do not enter a name, ARGUS automatically names the package using the following conventions: Report Package 1, Report Package 2, etc.

Running the Reports

The next time you want to run the reports in the report package, select **Report Packages** from the ARGUS **Reports** menu, and then simply highlight the package and choose the **Report** button. ARGUS will print, display (view), or export the reports in the package in the order that you specified.
CHAPTER 28

Calculation Switches

The Calculation Switches window allows you to modify some of the ARGUS default settings.

To display the Calculation Switch window, choose Calculation from the Options menu on the ARGUS initial menu screen.

To display a different section of the Calculation Switches window, click the tab corresponding with the section you wish to display.

Rent

This tab allows you to modify some default items pertaining to rent.

<table>
<thead>
<tr>
<th>General Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Checkbox for Inflating Market Rent Monthly]</td>
</tr>
<tr>
<td>![Checkbox for Calculating Only Contract Rent]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level Rent</th>
<th>Scheduled Base Rent</th>
<th>CPI Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Checkbox for Lease Rent Abatement]</td>
<td>![Checkbox for Step Rent]</td>
<td>![Checkbox for Sales Percent Revenue]</td>
</tr>
<tr>
<td>![Checkbox for Additive Rent]</td>
<td>![Checkbox for Tenant Improvements]</td>
<td>![Checkbox for Leasing Commissions]</td>
</tr>
</tbody>
</table>

General Options

The General Options section of the Rent tab includes the options below.

Inflating Market Rent Monthly

Select this option to inflate the market rent on a monthly basis. This will change the rent of all tenants not renewing in the first month of the inflation year. This feature is useful in aggressive markets with rapidly rising inflation.
Calculate Only Contract Rent
Contract rent only includes leases that start on or before the analysis start date, or the reporting start date if you are using Advanced Timing. You can select this option to calculate only contract rent. There will be no renewals. If you select this option, ARGUS will only include in-place rent for current tenants. No renewals or space absorption tenants will be included.

Note: If you select the Net Effective Market option on the General Calculation Switches window, the Calculate Only Contract Rent option will be unavailable.

Rent Leveling
The Level Rent section of the window allows you to specify that rents be averaged over the term of the lease and to select the components of the rent to be included in the average. For tenants with multiple lease terms, this option will level rent separately for each lease term. For example, if a tenant has a 4-year lease, and then a 6-year lease, this option will level the selected components of the tenants rent for four years, and then separately for 6 years – not for 10 years.

Rent Collection
The Rent Collection tab is only available in the international version of ARGUS. For a detailed description of this tab, please refer to Chapter 31, International Files. For more information about the international version of ARGUS, please contact your ARGUS sales representative.

Detailed Reimbursement
The Detailed Reimbursement tab includes the following option. Select this option to apply the management fee to expenses before the major contributions are subtracted.

General
The General Calculation Switches tab includes some general ARGUS options.
### Display Occupancy Warning

When this option is selected, if a property is over leased, ARGUS will display a warning, similar to the example below, during report calculations.

![Occupancy Warning](image)

You can choose **OK** to continue the report calculations, choose **Abort** to abort the calculations, choose **Print** to print the message, or choose **Help** to access the ARGUS Help system.

If you wish to ignore the message and do not want it displayed for this property again, clear the checkmark from the **Display message in the future for this property** check box.

### Net Effective Market

This option allows you to perform an analysis of the Market Leasing Assumptions that you use when modeling a property. Each year of the cash flow reported on the Net Effective Market report represents a hypothetical tenant beginning that year.

This option is not available if you are using Advanced Timing. For more information on Advanced Timing, see Chapter 29, *Input Switches*.

**Note:** If you enter Proposition 13 expenses while the Net Effective Market calculation switch is selected, the Proposition 13 expenses on the Net Effective Market report will be incorrect unless you enter the property purchase price. See Chapter 17, *Property Purchase & Resale*, for more information on entering the purchase price. See Chapter 5, *Revenue and Expense Windows*, for more information on Proposition 13 expenses.

If you select this option, the calculation produces a series of equal annual payments with the same PV for cash flow lines.

**Note:** If you select this option, ARGUS uses the entries in the Market Leasing Assumption category, **not** the Rent Roll.

### Calculate Rolling PV

This option allows you to calculate present value for a holding period of up to 20 years. The Portfolio Rolling PV report will only consolidate the component properties in which this option was selected. In addition, the same timing and length of analysis must have been entered in the component properties.

**Note:** The report will NOT include component properties in which the Calculate Rolling PV option was not selected.
Selecting the Report
To select the report, access the Property Level Reports window in the portfolio file, and choose the Prospective Present Value Options button. When the Present Value Options window appears, select the Rolling PV check box in the Report Style section.

Note: The report will not be available if the portfolio and all component properties do not have the same timing and length of analysis, or if there is an overriding PV rate at the portfolio level.

Portfolio Area Measures
This section of the window is only available in portfolio properties. It allows you to set the default consolidated area measure to be used in portfolio area measure warnings. It also allows you to disable the warning, should you wish to do so.

Display Portfolio Area Warning
Clear this check box if you wish to disable the portfolio area measure warning.

Use Entered Property Size
Select this option if you want the portfolio area measure warning default to be the entered property size.

Use Calculated Area
If you wish to set the portfolio area measure warning to default to a specific consolidated area measure, you may choose one from the drop-down list in the Use Calculated Area.

Loan Statistics
The Loan Statistics tab includes options pertaining to loans.
Other Loan Statistics
This section includes some general debt financing options.

Ignore time offset between Analysis Start Date and Note Start Date
Select this option to ignore the time offset between the analysis start date and the note start date for advanced loan calculation statistics.

Calculate Interest Based on a 360 Day Year
Select this option to calculate interest based on a 360-day year instead of on a 365-day year.

Loan System
The options in this section are only available in the ARGUS Loan System. Please contact your ARGUS sales representative for more information on the ARGUS Loan System.

Portfolio Debt
This section includes the following option pertaining to debt in portfolio properties.

Ignore component level debt
Select this option if you want ARGUS to ignore any existing debt within component properties in a portfolio. If you choose this option in a portfolio that includes another nested portfolio with debt as a component, ARGUS will consider the nested portfolio as a component property, and as such, will exclude the debt in the component portfolio.

Partnerships
The Partnerships Calculation tab includes options pertaining to partnerships.

<table>
<thead>
<tr>
<th>Last</th>
<th>Rent Collection</th>
<th>Detailed Reimbursement</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Statistics</td>
<td></td>
<td>Partnerships</td>
<td>Uk. Calculation</td>
</tr>
</tbody>
</table>

- Calculate Partnerships:
  - Annually
  - Monthly
  - Quarterly

- Return on Investment based only on selected preference level.

Calculate Partnerships
This section of the tab allows you to specify that partnerships be calculated on an annual, monthly, or quarterly basis. This changes the frequency that Cash Flow Distributions are calculated and distributed. If the calculation switch is set to Monthly, Partner A will receive the distributable cash flow available at the end of each month ($50 for 4 months) for a total of $200.
Return on investment based on selected preference level

This option allows you to specify that ARGUS will consider partner returns for a specific level independent from any other levels when you choose Return Investment as the type of return.

For example, in some previous versions of ARGUS (and if this option is not selected) a partner who contributed $100,000 at the beginning of the analysis, and who received a distribution of $50,000 at level 1, would receive another $50,000 as the return investment distribution at level 2.

With this option selected, the same partner will receive $50,000 at level 1 and $100,000 at level 2 because ARGUS will consider the return investment distribution independently.

This feature will automatically be selected when you create a new file. To disable it, clear the check box corresponding to the option.

UK Calculation

For a detailed description of this tab, please refer to Chapter 31, International Files. For more information about the international version of ARGUS, please contact your ARGUS sales representative.
CHAPTER 29

Input Switches

The Input Switches window allows you to modify some of the default input settings within ARGUS. To access this window, select Input from the Options menu on the ARGUS initial menu screen. To display a different section of the window, click the corresponding tab.

Switches Tab

This tab allows you to modify some of the default data entry items in ARGUS.

Enable Budgeting

When you install ARGUS, the default setting assumes that you will be entering only budgeted revenues and expenses. However, this option allows you to change the default so that you can enter actual revenues and expenses in addition to those budgeted.

If you select this option, the next time you access a revenue or expense window, you will see an Actual field and a Budgeted field instead of the Amount field.

Default Revenue and Expense Fields

<table>
<thead>
<tr>
<th></th>
<th>Name</th>
<th>Acct Code</th>
<th>Amount</th>
<th>Units</th>
<th>Area</th>
<th>Frequency</th>
<th>% Fixed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td>0</td>
<td>$/Area</td>
<td>Property Size</td>
<td>/Year</td>
<td>100</td>
</tr>
</tbody>
</table>

Revenue and Expense Fields with Actuals Selected

<table>
<thead>
<tr>
<th></th>
<th>Name</th>
<th>Acct Code</th>
<th>Actual</th>
<th>Budgeted</th>
<th>Units</th>
<th>Area</th>
<th>Frequency</th>
<th>% Fixed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In addition to the Actual field on the revenue and expense windows, the Budgeting Account Codes window also includes Actual fields where you can enter actual amounts for other Cash Flow line items. To enter actual amounts for a line item, choose Detail while the Actual field for the item is active.

**Budgeting Account Codes Fields with Actuals Selected**

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Actuals</th>
<th>Default Line Label</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Base Rental Revenue</td>
</tr>
</tbody>
</table>

**Reporting Actuals**

If you elect to enter actual expenses and revenues in addition to those budgeted, you can select from several actual and variance reports on the Report Type tab in the Cash Flow Options section accessed from the Property Level reports window. See Chapter 27, *Reports and Graphs*, for more information on specific reports.

**Advanced Timing**

Advanced Timing allows you to enter historical data and store actual amounts in ARGUS. If you select this option, you can enter items and generate reports beyond the original analysis period. This option also allows you to generate the Rent Roll report starting from any given month, and to discount the cash flow to an advancing present date.

**Note:** The Net Effective Market calculation option is not available if you use Advanced Timing. See Chapter 28, *Calculation Switches*, for information on calculation options.

To enable Advanced Timing, select the check box below. If you select this option, you should not change your selection.

![Check box for Advanced Timing](image)

If you select Advanced Timing, when you exit the window, the following message appears:

![Warning message](image)

Choose OK to continue.

**Entering Advanced Timing**

If you enable Advanced Timing on the Input Switches window, the Property Timing window will include the following fields:

<table>
<thead>
<tr>
<th>Field</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting Start Date:</td>
<td>1/01</td>
</tr>
<tr>
<td>First Year Ends:</td>
<td></td>
</tr>
<tr>
<td>Years to Report:</td>
<td>10</td>
</tr>
<tr>
<td>Analysis Start Date:</td>
<td>2001</td>
</tr>
<tr>
<td>Inflation Month:</td>
<td>January</td>
</tr>
</tbody>
</table>
Chapter 29: Input Switches

**Reporting Start Date**
Enter the reporting start date using a MM/YY format. The date you enter here will be the first month available to report. It is also the date of valuation.

**Years to Report**
Enter the number of years, from 1 to 40, to represent the "reporting window" or "holding period." ARGUS will automatically add a CAP year if required.

**Analysis Start Date**
Enter the earliest year in which data entry is to begin. All entries begin as of this date. You may enter dates from the years 1950 through 2030.

**Inflation Month**
Select the month in which inflation is to be applied.

**Example**
If you entered the following information:

- Reporting Start Date: 1/00
- Years to Report: 10
- Analysis Start Date: 2001

You would be able to enter data and run ARGUS reports from 2000 through 2011.

**Market Rent Abatement Categories**
The option below allows you to create Market Rent Abatement categories that you can use to model a reference that changes over time.

If you select this option, you should not change your selection.

**Creating Market Rent Abatement Categories**
If you select the Market Rent Abatement option, the next time you access the Market menu on the ARGUS initial menu screen, the menu will include the Market Abatements option.

**Note:** You can also access the Market Rent Abatements category window by selecting Detail in the Rent Abatements field on the Market Leasing Assumptions window.
To create a Market Rent Abatement category, choose Market Abatements from the Market menu, and then choose New on the Market Rent Abatement category window.

**Category**

Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: MKT FREE 1, MKT FREE 2, MKT FREE 3, etc.

**Based On**

This field allows you to create categories that are based upon other categories. If you wish to base the current category upon another category, you may choose it in this field.

Before you can base one category upon another, you must create the category on which the others will be based. Create this category as explained below. Once you have created the category, you can create another category (or many other categories) based upon that category.

**Note:** You may base categories on other file-specific categories or on global categories that will be available in all your ARGUS files. For more information on global categories, see Chapter 30, Global Categories.

**Modifiers**

Select a modifier from the drop-down list in the field, or choose Detail to create a new Modifier category.

See the Rent Abatement Modifier Categories section in Chapter 9 for more information on creating Rent Abatement Modifier categories.

**New and Renewal**

Enter the number of months to abate in the New and Renewal fields for each year. If you are basing the category upon another, enter the percentages by which you wish to adjust the original category.

When you finish, choose OK to return to the Market Rent Abatements category window, and then choose Close to exit.
Use Reimbursable Reporting Groups

The option below allows you to control the reporting of reimbursable expenses and revenue on the Cash Flow report.

- Use reimbursable reporting groups.

If you select this option, the Reimbursable Reporting Groups option will be added to the Property menu. This menu option includes two submenu items: Reimbursable Revenue Groups and Reimbursable Expense Groups.

Both of these items display a category window that allows you to create Reimbursable Reporting Groups. The Reimbursement Revenue and Reimbursable Expense windows list available items you can include in the Reimbursement Revenue or Reimbursable Expense Group.
The selected items will be grouped together under a single line on the Cash Flow report.

### Term Overrides in Market Leasing Assumptions

This feature allows you to show or hide the **Term** columns on the Market Leasing Assumptions window. To display the columns whenever you access the Market Leasing Assumptions window, choose the following option.

- **Display Term override columns in Market Leasing Assumptions.**

To hide the columns clear the check box in the option above.

### CPI Index

The following option allows you to enter consumer price index (CPI) values (rather than percentages) on the Inflation window. To enter CPI values, you must first select this option.

- **Use CPI Index.**

When this switch is selected, the Year 1 field for CPI on the Inflation Rates window is enabled.

This allows you to enter the CPI index value (not the percentage) for each year, including Year 1.

See Chapter 4, *Property Description Windows* for more information on entering CPI inflation.
Using the Old Method for Present Value Discounting

The following option allows you to continue using the Present Value discounting method used by ARGUS in versions prior to Version 8.6.

Though the new window will automatically be used in new files, the old window will be used in upgraded files. Note that if you select or clear this option, any input already entered will be deleted. In this case, you will need to re-enter the information.

Note: If you selected the Net Effective Market option on the General tab in the Calculation Switches window, this option is not available. If you select this option, the Net Effective Market option will not be available.

Daily Rent Calculations

The following option allows you to enter lease beginning and ending dates as specific dates, rather than as whole months, in office, retail, and industrial properties.

Once you have selected this option in a file, though you will not be able to turn it off in that file, you can still enter whole month dates and relative dates. Space Absorption will not be affected by the use of daily calculations. When you exit the Input Switches window, you will receive the following message. You must choose OK in order to use daily entries for rent calculation.

The next time you access the Rent Roll, you will be able to enter daily lease start and end dates as illustrated in the screen example below.

In addition, you will be able to enter daily rent changes dates in the detailed base rent window you access by choosing Detail while the Base/Min Rent field is active.
Note: You cannot enter multiple base rent changes for the same month. In addition, daily calculations are not allowed for leases that start and end during one month.

Specific Field Information
When you use daily calculations, you can enter specific dates in the following fields on the Rent Roll: Start Date, Term/Expire, Detailed Base Rent, Rent Changes (Step Rent Adjustments), and in the Market Leasing Assumptions (Step Rent and Changing Base Rent). Leases can start on any day of the month and end on any day of the month.

Rent Roll
The manner in which daily rent calculations affect specific fields on the Rent Roll window is explained below.

Start Date
With daily calculations, this field will accept entries in MM/DD/YY format, and MM/YY format, as well as relative dates. When you leave this field blank, leases will still begin on the analysis start date.

Term/Expire
With daily calculations, this field will accept entries in MM/DD/YY format, and MM/YY format, as well as relative dates. To indicate that a lease expires in the middle of the month, you must enter a specific expiration date. If you enter a term for a lease that begins in the middle of the month, ARGUS will interpret the partial month as a full month in the term.

Base/Minimum Rent
With daily calculations, the Date field on the Detailed Base Rent window will accept entries in MM/DD/YY format, and MM/YY format, as well as relative dates. When you enter specific dates in the Start Date field or the Term/Expiration field, and you enter relative dates on the Detailed Base Rent window, rent will be based on the dates specified in the Start Date and Term/Expiration fields; it will be prorated for the actual days specified in the Start Date and Term/Expiration fields.

A base rent change occurring in the first month will take precedence for the entire month. For example, if a lease begins on May 15 and there is a base rent change on May 20, the changed rate will be used to prorate the first month of the lease from the 15th to the 31st. If a change occurs during the last month of a lease, it will be ignored.
**Rent Changes – Step Rent**

With daily calculation, the **Date** fields will accept entries in MM/DD/YY format, and MM/YY format, as well as relative dates. If you use the daily format in the **Start Date** or **Term/Expiration** fields, and you enter Step Rent using a relative date format (or MM/YY), the calculation for Step Rent will be based on the dates specified in the **Start Date** and **Term/Expiration** fields; it will be prorated for the actual days specified in the **Start Date** and **Term/Expiration** fields.

A step rent change occurring in the first month will take precedence for the entire month. For example, if a lease begins on May 15 and there is a step rent change on May 20, the changed rate will be used to prorate the first month of the lease from the 15th to the 31st. If a change occurs during the last month of a lease, it will be ignored. Any step rent that occurs after a rollover will go into effect on the first of the month, regardless of the start date for the step rent.

**Rent Abatements**

With daily calculations, the amount of the abated rent will directly correlate with the prorated, daily calculation for the base rental revenue. For example, if the partial base rental revenue for Month 1 equals 550, and there are abatements, the resulting rent abatements for Month 1 will be 550. The same will apply when rent abatements fall in the last month of the lease that is prorated on a daily basis.

**Market Leasing**

See the “market:leasing” section below for a complete explanation.

**Upon Expiration**

The lease will pay rent for the number of days remaining in the expiration month. If the lease renews, rent will be charged for the remaining days of the month at the new lease rate. If the lease does not immediately renew, the space will be vacant and no rent will be charged for the remaining days of the month. The amount of vacancy depends upon the option selected in the **Upon Expiration** field and the Market Leasing Assumptions window. As with previous versions of ARGUS, the number of months vacant between leases is a rounded number. With the daily calculations switch on, the day of the expiration is taken into account before the rounding takes place. Leases that begin after a period of vacancy will always start at the beginning of the month, regardless of the day on which the prior lease expired. This simplifies rent and reimbursement tracking. Leases that renew with no vacancy, such as options and leases that renew upon expiration will start on the day following the expiration of the prior lease.

**Example**

Assume there is 1 month vacant between leases and a renewal probability of 25%. With the daily calculation switch off, ARGUS will round the .75 months of vacancy to 1 whole month for each lease. With the daily calculation switch on, ARGUS will add the .75 months of vacancy to the expiration date of that lease. The resulting day of the month will be rounded to the nearest beginning of a month.

For example, if the lease expires on January 10, 2001, the new lease will begin on February 1, 2001. If the lease expires on January 23, 2001, the new lease will also begin on February 1, 2001. However, if the lease expires on January 24, 2001, the new lease will begin on March 1, 2001. ARGUS compares the actual day to the length of the month to determine what percentage of the month it is. The 23rd is .74 of January; the 24th is .77. When added to the .75 months vacant, the results are 1.49 and 1.52. The 1.49 value is rounded down to February 1, and the 1.52 is rounded up to March 1.
Renewal Probability
Please see the example on the previous page for additional information about the effects of daily rent calculations on renewal probability.

Market Leasing Assumptions
Following is a detailed explanation of some of the fields on the Market Leasing Assumptions windows that may be affected by the use of daily calculations. Fields unaffected by daily calculations are not listed.

Renewal Probability
Please see the example on the previous page for additional information about the effects of daily rent calculations on renewal probability.

Vacancy
Please see the example on the previous page for additional information about the effects of daily rent calculations on vacancy.

Leasing Commissions
Calculation for leasing commissions is directly based on base rental revenue and step rent, and with daily calculations, leasing commissions will be calculated based on the daily calculations for base and step rent.

Rent Abatements
With daily calculations, the amount of the abated rent will directly correlate with the base rental revenue. When the Use Market Rent Abatement Categories option is selected on the Input Switches window, the Rent Abatements window will no longer be available. Instead, the Market Rent Abatements window will be displayed when you choose Detail in the Rent Abatements field. Daily calculations affect the calculation of market rent abatements in the same way that it affects rent abatements. Note that the Rent Abatement window will still be available from the Rent Abatements field on the Rent Roll window.

Rent Changes – Changing Base Rent
Since changing base rent is a market item used only in the Market Leasing Assumptions, daily calculations are not available. However, when changing base rent starts on or before the term/expiration date, and Renew is selected in the Upon Expiration field, the calculation for the rollover month will be based on the prorated daily lease plus the prorated daily rollover portion from the changing base rent. When changing base rent starts in a future month, after the lease has expired, the rollover month will consist of prorated daily portion of the original lease only.
Chapter 29: Input Switches

Rent Changes – Step Rent
With daily calculations, the Date field on the Step Rent Adjustments window will accept entries in MM/DD/YY format, and MM/YY format, as well as relative dates. Although accepting MM/DD/YY format, when used in the Market Leasing Assumptions, step rent will not be calculated daily, the rent changes will begin at the beginning of the month.

Rent Changes – Net Effective Market
When you select the Net Effective Market option, daily calculations are unavailable.

Reporting
In order for some reports to display daily calculations correctly, you may need to adjust the column widths to allow for the MM/DD/YYYY format.

Auto Selection Defaults Tab
This tab allows you to modify some of the defaults that ARGUS uses in the Units field on the Rent Roll window and the Amount field on the revenue and expense windows.

<table>
<thead>
<tr>
<th>Switches</th>
<th>Auto Selection Defaults</th>
<th>This Property Uses</th>
<th>Analysis Region</th>
</tr>
</thead>
</table>

Rents Entered
You may specify that rents be entered in either of the following ways:

- **Annually**: If you select this option, ARGUS defaults rates greater than the entry in the Highest per (measurement unit) Rent field on an annual basis.

- **Monthly**: If you select this option, ARGUS defaults rates greater than the entry in the Highest per (measurement unit) Rent field on a monthly basis.

Highest per (Unit) Rent
The entry in this field determines when ARGUS should interpret a rent rate as per measurement unit (e.g. square foot) or per year/per month if a specific unit is not chosen in the Rent Roll or Space Absorption window.

Highest per (Unit) Property Expense/Revenue
The entry in this field determines when ARGUS should interpret an amount as per unit or per year/month if a specific unit of measure is not chosen on the revenue and expense windows.
This Property Uses Tab

This tab allows you to simplify the ARGUS interface by enabling and disabling some menu options.

<table>
<thead>
<tr>
<th>Switches</th>
<th>Auto Selection Defaults</th>
<th>This Property Uses</th>
<th>Analysis Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔ Development Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✔ Escrow</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✔ Porter's Wage</td>
<td></td>
<td></td>
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<tr>
<td>✔ Debt</td>
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</tr>
<tr>
<td>✔ Depreciation and Tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✔ Partnerships</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

To restore an option, simply select the corresponding check box for the option. The next time you access the ARGUS menus, the restored option will be available.

To remove an option, clear the corresponding check box. The next time you access the ARGUS menus, the option will not be included.

Analysis Region Tab

This options on this tab are only available in the international version of ARGUS. For more information about the individual options on this tab, please see Chapter 31, *International Files*.

For more information about the international version of ARGUS, please contact your ARGUS sales representative.
Global categories are categories that you can use in multiple files. This allows you to maintain consistency in your ARGUS categories. Depending upon the version of ARGUS you are using, the following global categories may be available:

You can only create and maintain global categories when no ARGUS files are open. Country Currency categories are only available in the international version of ARGUS. The categories listed under the Loan option are only available in the ARGUS Loan System. For more information about either of these products, contact your ARGUS sales representative.

**Note:** If you open a file that contains a global category with the same name as an existing (global) category, the information in the category will be updated during calculation to match the category residing in the ARGUS directory.
Market Rates

The items listed under this option allow you to create global categories that will be available for use in all your office, retail, industrial, apartment, and assisted living files. These global categories can be based upon other global categories as well. You may create the following global market rate categories:

- Market Rent
- Renewal Probability
- Months Vacant
- Tenant Improvements
- Preparation Costs
- Leasing Commissions
- Leasing Costs
- Rent Abatements
- Market Rent Abatements

Each of these global categories is created in the same manner as file specific categories. For more information about the individual screens and steps used to create any of these categories, please refer to the corresponding section in this manual.

Loans

The categories listed under the Loan option are only available in the ARGUS Loan System. Please contact your ARGUS sales representative for more information on the ARGUS Loan System.

Interest Rates

Interest Rate categories are only available by choosing Global Categories from the File menu, and then choosing Interest Rates.

Preset Categories

The Interest Rates category window includes the preset categories shown in the screen example below. You cannot edit these categories; they will be updated automatically using your Internet connection.

These categories will be available in all ARGUS files in which the Debt Financing windows are available.
Creating User-Defined Interest Rate Categories

To create user-defined Interest Rate categories, choose **New** on the Interest Rates category window.

**Category**
Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: Interest Rate 1, Interest Rate 2, etc.

**Start Year**
Enter the first year in which the interest rates take effect. You may enter years between 1950 and 2088.

**Interest Rates**
Enter the interest rates in the corresponding month and year fields.

Once you have saved the category, it will be available in all ARGUS files in which Debt Financing windows are available.
Inflation Rates

To create global Inflation Rate categories, when no ARGUS files are open, choose Global Categories from the File menu, and then choose Inflation Rates. When the Inflation Rate category window appears, choose New.

The global Inflation Rates window is identical to the standard ARGUS Property Inflation window, with the exception of the Start Year field.

**Category**

Enter a unique category name. If you leave this field blank, ARGUS will assign a name using the following conventions: Global Inflation 1, Global Inflation 2, etc.

**Based On**

This field allows you to create categories that are based upon other categories. If you wish to base the current category upon another category, you may choose it in this field.

Before you can base one category upon another, you must create the category on which the others will be based. Create this category as explained below. Once you have created the category, you can create another category (or many other categories) based upon that category.
If you base the current category upon another category, ARGUS will display the **Adjustments** field. You can use this field to specify the type of adjustments from the original category you wish to make to the current category. You may choose from the following options:

- **% (Percent) Adjust**: If you select this option, ARGUS interprets the entries in the fields below as percentages.

- **Basis Point Addition**: If you select this option, ARGUS interprets the entries in the fields below as basis point additions.

When you base one global Inflation Rates category upon another, the **Results** button becomes available. Choose this button to display the results of your adjustments.

![Global Inflation Rates](image)

To return to the Global Inflation Rates window, choose the **Adjustments** button.

**Start Year**

Enter the first year in which the inflation rates take effect. You may enter years between 1950 and 2088.

**Inflation Rates**

Enter the inflation rates you wish to use for each item in the corresponding **Year** fields.

Keep in mind that if you are basing this category upon another global Inflation Rates category, your entries should reflect adjustments to the original category.
Country Currency
Country Currency categories are only available in the international version of ARGUS. For more information about the individual screens and steps used to create these categories, please refer to Chapter 31, International Files.

Please contact your ARGUS sales representative for more information on the international version of ARGUS.

User-Defined Property Types
To further categorize properties, ARGUS allows you to create user-defined property types. These are global categories; once you create a property type, it will be available in all of your ARGUS files with the same base property type.

Note that user-defined property types are associated with a base property type and this association cannot be changed. Once you exit the Property Description window, you can change a user-defined property type, but not the base property type.

To create a user-defined property type, close any open ARGUS files, and then choose Property Types from the Global Categories option on the File menu. The Property Types category window appears.

Printing
You may choose the Print button on the Property Types category window to print the highlighted category.

Creating User-Defined Property Types
To create a user-defined property type, choose New on the Property Types category window. The Property Types window appears.

Property Type
Enter the name of the property type you wish to create. This name will appear on the drop-down list in the Property Type field on the Property Description window.

Base Property Type
Select the base property type you wish to assign to the user-defined property type. This property type will be listed at the top of the drop-down list in the Property Type field if you return to the Property Description window.

Note: To determine the base property type of an existing user-defined property type, select the property type on the Property Type category window, then choose Edit. The resulting window will show the user-defined property type along with the corresponding base type. You cannot edit user-defined property types.
User-Defined Property Labels
In addition to the predefined labels that appear on the Additional Data tab in the Property Description windows, you can also use the Property Labels option under Global Categories on the File menu to define your own property labels.

Choose OK to save your entries and return to the ARGUS main menu. The next time you access the Additional Data tab your entries will be included in the list of line items.

User-Defined Lease Types
ARGUS allows you to create new lease types that affect occupancy in office, retail, and industrial properties. These user-defined lease types will be available on the drop-down list in the Lease Type fields on the Rent Roll and Space Absorption windows.

To create or to determine the base lease type of a user-defined lease type, close any ARGUS files you may have open, and from the File menu, select Global Categories, and then Lease Types. The Lease Type category window appears. To create a user-defined lease type, choose New. The Lease Types window appears.

Lease Type
Enter the name of the lease type you wish to create. This name will appear in the drop-down list in the Lease Type field on the Rent Roll window and the Space Absorption window.
**Base Lease type**

Enter user-defined lease type must be associated with a base lease type. You may choose from the following base lease types: office, retail, and industrial. Select the base lease type you wish to assign to the user-defined lease type.

**Affects Occupancy**

If this check box is not selected, the tenant square footage will not show up in ANY totals, including the one at the bottom of the Rent Roll window. If the check box is selected, the tenant will be considered a lease of the base lease type and will be included in those totals (i.e., office, retail, or industrial) and the building total.

For example, you could model a retail property containing some apartments by creating a lease type called *Apartment* and using it as the lease type in the Rent Roll. The user-defined lease type wouldn’t change the fields and windows available in the property, but it would allow you to specify a lease type other than office, retail, or industrial.

You could also use this feature to model an office property that includes some storage space without affecting occupancy.
Tenant Categories and Industry Groups

This global category option allows you to create industry groups to which you can assign a tenant (or tenants). You can also use this option to enter user-defined names for two tenant categories (e.g., credit quality). You can assign tenants to the categories by selecting the category in the tenant’s More/Notes field on the Rent Roll window.

To create industry or user-defined groups, from the File menu, select Global Categories, and then Tenant Categories. The Tenant Categories window appears. The example below shows an entry for a user-defined group.

To create an industry (or user-defined) group, select the group you wish to create, and then choose Detail to display the Industry Group (or user-defined group) category window. Choose New on the category window to create a category, and then enter a category name.
The next time you display the Rent Roll window, the new category will be included on the detail window you access from the More/Notes field.

Global Report Packages

Global report packages allow you to use the same package of reports in different files. You can also use a global report package to run reports for many different properties from a single window.

Note: This feature is not available in ARGUS Unit Sales and Development or in the ARGUS Loan System.

To create a global report package, choose Report Packages from the Reports menu and record the package as you normally would. For information on recording report packages, see Chapter 27, Reports and Graphs.
Once you have finished viewing, exporting, or printing the reports you wish to include in the package, return to the Report Packages and choose **Stop**. Enter a name for the package on the resulting Report Package Name window and choose **OK**. The Report Packages window reappears.

Select the package you wish to use as a global report package and choose **Make Global**. The Report Package Name window will be displayed again, giving you the opportunity to assign the global report package a different name. Because both global and local report packages are displayed on the Report Packages window (locals first, and then globals), it is a good idea to give the global package a descriptive name so that you will be able to recognize it as a global package later.

Once you have made a local report package into a global one, you can no longer delete that package on the Report Packages window. You must close the file, and then from the **File** menu, choose **Global Categories**, then **Report Packages**. On the resulting Report Packages window, you can use a global report package to run reports for multiple ARGUS properties. You can also delete global packages on this window.

Before running report packages, you must choose the properties you wish to report on. To do so, choose **Properties** to display the Global Packages Property Selection window.

![Global Packages Property Selection](image)

To choose a property for the global package list, select it in the left box, then choose "Include." To remove a property from the global package list, select it in the right box, then choose "Exclude."
Double-click the available properties you wish to select, or highlight them and choose **Include**. To remove any included properties from the list, double-click them or highlight them and choose **Exclude**. Choose **OK** to return to the Report Packages window.

Choose the report package you wish to run from the right side of the window, and then choose **Report**. You may also double-click a package.
Chapter 31

International Files

The features described in this chapter are only available in the international version of ARGUS. For more information about the international version, please contact your ARGUS sales representative.

Creating International Files

The international version of ARGUS includes some special features and enhancements that are not available in the U.S. version of the software. Because of this, files you create with the ARGUS international version cannot be opened by users who do not have the international version unless you create the file as a non-international file. This means that if you wish to exchange files with users who do not have the international version, you MUST NOT create the file as an international file.

If you have the international version of ARGUS, when you create a new file, you will see the following window.

Choose the option corresponding to the type of file you wish to create.

If you do not wish to see this window each time you create a new file, you can disable it by clearing the following check box.

If you clear this check box, all new files will be created as international files.
Making U.S. Files into International Files
You can change files created with the U.S. version of ARGUS into international files. However, once you have done so, they can no longer be opened by users who do not have the international version. The following instructions explain how to change a file from a U.S. version file to an international one.

From the **Options** menu, choose **Input**, and then select the following option on the Analysis Region tab.

- **International ARGUS (No UK Methods)**

When you exit the window, ARGUS will display the following message.

![Message](image)

If you choose **Yes** in answer to this message, the file will permanently be changed to an international file that can only be opened by users with the international (non-UK) version of ARGUS. You MUST choose **No** if you want users with the U.S. version of ARGUS to be able to open the file.

**Detailed Monthly Currency Conversion**
To use this feature, close any files that may be open. Choose **Global Categories** and then **Country Currency** from the **File** menu. Then choose **New** on the Country Settings category window.

You may then use the **Detail** button when the following field is active:

- **There are [ ] Dollars in one base currency unit (Dollars).**
Enter the currency conversion factors you wish to use. Keep in mind that for any report that is not available in monthly or quarterly timeframe ARGUS will use an annual average exchange rate to convert annual numbers. The Presentation Rent Roll numbers will only be modified by the currency exchange factor entered for month 1 of the analysis.

### Debt Currency

This feature allows you to select a different currency on the Debt Financing window allowing for debt denominated in dollars or some other currency.

To use this feature you must choose **Input Switches** from the **Options** menu, and then select the following option on the Analysis Region tab.

Once you have selected this option, a new **Input Currency** field will be available on the Debt Financing window. The drop-down list in this field will include your global Country Settings categories.
To create a new category for inclusion on the list, you must close the current file. Then from the File menu, choose Global Categories, and then Country Settings.

**Symbols for Europe**

The following symbols are needed for use in international files:

_ and €

If you do not have an international keyboard, you can use the alt-key combination of Alt + 0128 for the Euro symbol. The Euro symbol is fully enabled in ARGUS, however you may experience difficulties in displaying it if your operating system does not support it and you have not upgraded. You may also experience difficulties in printing if your printer does not support it.

For more information about support for the Euro symbol in your version of Microsoft Windows, please contact Microsoft Corporation. For more information about printer support for the symbol, please contact the manufacturer.

**Market Reviews**

This feature allows you to adjust rent up or down to the current market level, or a percentage of that level. To use this feature you must choose Input Switches from the Options menu, and select the following option on the Analysis Region tab.

Once you have selected this option, the Market Review items are available in the Units fields on the following windows: Detailed Base Rent, Changing Base Rent, and Step Rent. In addition, the 1st Yr + % Mkt. Review is available in the Unit of Measure field on the Leasing Commissions window. The effects of each option are explained below.
- **Market Review**: If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the tenant’s Market Leasing Assumptions. ARGUS will reset the tenant’s rent to the market rent (or percentage of market rent) specified in the Market Leasing Assumptions and recalculate the base year stop for the tenant if the tenant has one.

- **Market Review Up**: If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the tenant’s Market Leasing Assumptions. ARGUS compares the tenant’s rent to the market rent (or percentage of market rent). If the tenant’s rent is lower, ARGUS raises it to the market rent, or the specified percentage of market rent. If the tenant has a base year stop, it will be recalculated regardless of whether the tenant’s rent is higher or lower than the market rent.

- **Market Review Down**: If you select this option, ARGUS interprets the entry in the Amount field as a percentage of the new market rent in the tenant’s Market Leasing Assumptions. ARGUS compares the tenant’s rent to the market rent (or percentage of market rent). If the tenant’s rent is higher, ARGUS will lower it to the market rent, or the specified percentage of market rent. If the tenant has a base year stop, it will be recalculated regardless of whether the tenant’s rent is higher or lower than the market rent.

- **1st Yr + % Mkt. Review**: If you select this option, ARGUS uses the entered percentage of base rent + step rent - free rent for the first year, and then the entered percentage of rent increases for the remaining years.

---

**Note**: If the comparison is being done for an Option lease, then ARGUS will use 100% of renewal market rent for market reviews unless Use Last Rent was selected in the Renewal field in the associated Market Leasing Assumptions. In this case, ARGUS will use 100% of new market rent, as with other leases. If you use market reviews in either Step Rent or Changing Base Rent categories in the Market Leasing Assumptions, then ARGUS uses blended new and renewal market rates.

---

**Rent Zones**

This feature allows you to enter many different base rent rates for one lease that are all based on a percentage of the best space.

To create rent zones, choose **Detail** while the **Size** field on the Rent Roll window is active. The following window appears.

![Rent Zones Window](image-url)
Choose **Rent Zone**. The Rent Zone window appears.

The **Zones** field in the first line is where you enter the size of the primary rent zone, which will always be 100% of base rent. The subsequent lines are where you enter the sizes and percentages of the zones that will be based on the primary rent zone.

**Example**

In the following example, the tenant has a total area of 17,000 square metres. However, assuming a rent of £10, the rent would be:

<table>
<thead>
<tr>
<th>Area</th>
<th>% of Rent</th>
<th>Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>10000</td>
<td>100</td>
<td>100,000</td>
</tr>
<tr>
<td>5000</td>
<td>80</td>
<td>40,000</td>
</tr>
<tr>
<td>2000</td>
<td>50</td>
<td>10,000</td>
</tr>
</tbody>
</table>

ARGUS will take the weighted average of the area, 10000+4000+1000=15000 and multiply by 10, equaling 150,000. Note that 17,000 is the number that will appear on all reports and will be the tenant’s occupancy number.

Note that you cannot enter negative numbers as percentages of base rent. Also, keep in mind that when you use step rent, rent changes, retail sales, reimbursements, abatements, tenant improvements, and leasing commissions in conjunction with rent zones, increases will be based on the total area (square footage) of all rent zones.

Changing base rent entered in the Market Leasing Assumption is affected by rent zone percentages, as is detailed base rent.
Rent Collection Calculation Switch

This tab allows you to specify the manner in which rents are collected. You can indicate that rents are collected monthly or quarterly, or you can select the specific months in which the rent is collected.

You can also indicate whether rent is collected in advance or in arrears. Rent collected in the specified payment period is reported on all relevant reports. ARGUS will perform all rent-based calculations as if the tenant pays monthly; only the frequency (specified payment months) will vary.

Note: Tenant improvements and leasing commissions are not included. Also, the following items on the Individual Tenant report are not affected: potential market per foot, scheduled base per foot, and retail sales per foot).

Rent Collected

This section of the window allows you to specify whether rent is to be collected on a monthly, quarterly, or other basis. If you choose Other in this section, the Months Rent Collected In section (below) becomes available.

Rent Paid

This section allows you to indicate whether payment is to occur at the start of the period or at the end of the period.

Based On

This section allows you to indicate whether rent is to be collected based on a lease year or a calendar year. Note that when Lease Year is selected, the labels in the Months Rent Collected In section change to month numbers; when Calendar Year is selected, the labels change to month names.

Months Rent Collected In

This section is only available if you chose Other in the Rent Collected section of the window. You may select up to 12 different months in which rent is to be collected.
Language Translation

The following instructions explain how to change ARGUS from one language to another. From the File menu, choose Language Settings. The ARGUS Language Settings window appears.

Choose the language from the drop-down list in the Available Tables field. You will receive a message informing you that you must restart ARGUS in order for the changes to take effect.

The next time you start ARGUS the interface will be displayed in the language you selected.

How to Reset the Language to English

If, for some reason, you need to reset ARGUS to English, and you are unable to use the ARGUS Language Settings window, you can also reset by using Windows Notepad, or another text editor, to edit your ARGUS.INI file.

Delete the line beginning with Language= and save the file. The next time you start ARGUS, it will be reset to English.
UK Files
In the international version of ARGUS, UK files include some special features needed for valuing UK properties.

When you create a new file as a UK file, the following window will be displayed.

![UK files window](image)

Since this is a UK file, the first option, **UK valuation methods**, is already selected and you cannot change it. You may, however, choose to include **Discounted Cash Flow Analysis** and **All ARGUS features**. To do so, select the corresponding options.

**UK Features**
Some of the features available in standard ARGUS files are also available in UK files, and some are not. For example, the Property Description, Timing, and Area Measures windows are available in UK files, but the Inflation window is not.

You may change a file created as a UK valuation only file, to one that includes a discounted cash flow analysis, or to one that includes all ARGUS features. To do so, choose **Input** from the **Options** menu, and then choose one of the following items on the Analysis Region tab.

- UK Valuation Only
- UK Valuation and Discounted Cash Flow
- UK Methods and all ARGUS features

**UK Valuation Only**
When you create files using this method, some standard ARGUS features are available, and some are not. In addition, some special UK features are available. This section explains which of the standard ARGUS features are available. For more information about any of those features, please refer to the corresponding section in this manual.

**Property Description Windows**
The following property description windows are available in UK valuation files:

- Description
- Timing
- Area Measures

These windows perform the same in UK valuation files as in other ARGUS files. Please see Chapter 4, *Property Description Windows*, for more information about these windows.
Revenue and Expense Windows
The following revenue and expense windows are available in UK valuation files:

- Miscellaneous Revenues
- Reimbursable Expenses
- Non-Reimbursable Expenses
- Non-Reimbursable Expense Allocation
- Capital Expenditures

With the exception of the Non-Reimbursable Expense Allocation window, which is described below, these windows perform in the same manner in UK valuation files as in other ARGUS files. Please see Chapter 5, Revenue and Expense Windows, for more information about standard ARGUS revenue and expense windows.

Allocating Non-Reimbursable Expenses
The Non-Reimbursable Expense Allocation window allows you to allocate non-reimbursable expenses to other leases and tenants, as well as to percentages of area and to percentages of estimated rental value.

Before you can allocate expenses, you must enter those expenses on the Non-Reimbursable Expense window. In addition, to allocate expenses to specific tenants, or to the headlease, you must enter the tenant and headlease information as well.

Once you have entered the necessary information, select Non-Reimbursable Expense Allocation from the Property menu to begin allocating expenses.

![Non-Reimbursable Expense Allocation](image)

The Non-Reimbursable Expense Allocation window lists the expenses entered on the Non-Reimbursable Expenses window.
Allocation
This field allows you to specify how the expense is to be allocated. You may choose from the following options:

- **Percentage of Estimated Rental Value (% ERV):** Select this option to allocate the expense to a percentage of estimated rental value.

- **Percentage of Area (% Area):** Select this option to allocate the expense to a percentage of area.

- **Detail:** Choose Detail while the Allocation field is active to allocate expenses to specific tenants or to the headlease.

Detailed Expense Allocations
If you choose to allocate expenses to individual tenants or to the headlease, you may do so using either percentages or amounts. Your selection in the Units area of the window determines whether the Percent field or the Amount field is available for entries.

Enter the percentage or amount in the field corresponding to the tenant or headlease.

Tenant Windows
The following tenant windows are available in UK valuation files:

- Rent Roll
- Area Classifications
- Freeholder
- Headlease
Rent Roll
With the exception of UK Rent Zones, which are described below, the Rent Roll window performs in the same manner in UK valuations as in other ARGUS files.

For more information about the Rent Roll window, please see Chapter 7, Office, Retail, & Industrial Rent Roll.

UK Rent Zones
This feature allows you to enter many different base rent rates for one lease that are based on a percentage of the best space.

To create rent zones, choose Detail while the Size field on the Rent Roll window is active. The following window appears.

Choose the type of rent zone information you wish to enter. You may choose either General Rent Zones or Retail Rent Zones.

**General Rent Zones**
The items listed in the Classifications column depend upon entries on the Area Classifications window. That window is described later in this chapter.

**Area**
Enter the size of each item in the corresponding Area field.
Retail Rent Zones

The items listed in the Classifications column depend upon entries on the Area Classifications window. That window is described later in this chapter.

Zones and Percent of Rent

The Zones field in the first line is where you enter the size of the primary rent zone, which will always be 100% of base rent. The subsequent lines are where you enter the sizes and percentages of the zones that will be based on the primary rent zone.

Example

In the following example, the tenant has a total area of 17,000 square metres. However, assuming a rent of £10, the rent would be:

<table>
<thead>
<tr>
<th>Area</th>
<th>% of Rent</th>
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</table>

ARGUS will take the weighted average of the area, 10000+4000+1000=15000 and multiply by 10, to arrive at 150,000. Note that 17,000 is the number that would appear on all reports and would be the tenant's occupancy number.

Note that you cannot enter negative numbers as percentages of base rent. Also, keep in mind that when you use step rent, rent changes, retail sales, reimbursements, abatements, tenant improvements, and leasing commissions in conjunction with rent zones, increases will be based on the total area (square footage) of all rent zones.

Changing base rent entered in the Market Leasing Assumption is affected by rent zone percentages, as is detailed base rent.
Area Classifications
The Area Classifications window allows you to enter the area classification labels that appear on the Rent Zones window accessed from the Rent Roll. To display this window, choose Area Classifications from the Tenant menu.

Enter the classifications you wish to use in the field corresponding to the area.

Freeholder
To enter a name or description of the property freeholder, choose Freeholder from the Tenant menu. Enter the name or description and choose OK to save.
Headlease
To enter headlease information, choose Headlease from the Tenant menu.

**Headlease Name/Description**
Enter the name or description of the headlease holder.

**Start Date**
Enter the month and year in which the headlease began (MM/YY). If you leave this field blank, and enter information in any of the other fields on this window, the start date will default to the analysis start date.

**Term/Expire**
This field is where you enter the number of years in the term of the headlease.

The term of the headlease must include the entire term of the analysis and it must include the term of all tenants as well. This means that the latest start date for the headlease is the analysis start (and if so, no tenant leases begin before the analysis) and the earliest headlease end date is the end of the analysis (and if so, no tenant leases extend beyond the analysis).
Rent Paid
The Rent Paid field is where you specify how you wish to use income and the estimated rental value in the calculation of head rent. You may choose from the following options:

- **Use both fixed amount and percent:** If you select this option, ARGUS will use both the fixed amount and the percentage you enter to calculate head rent.

- **Use greater of fixed amount and percent:** If you select this option, ARGUS will use the greater of the two.

Fixed Amount
Enter the fixed amount of rent paid for the headlease, and the select the unit in the field to the right. You may choose to enter the fixed amount using the following units:

- Amount per year
- Amount per month
- Amount per year by area
- Amount per month by area

Use Percentage of
Select an option from the drop-down list in this field to indicate whether you wish to use a percentage of the estimated rental value or the gross income.

Percentage and Cap
Use these fields to enter the percentage of estimated rental value or gross income along any cap amounts.

Rent Reviews
Specify the timing for rent reviews. You may choose from the following options:

- **As and When:** If you select this option, the head rent changes whenever the income from the subordinate leases change.

- **Fixed Date:** If you select this option, you must enter the date in the field to the right. In addition, you must enter the number of months or years in which rent reviews will be repeated and select the interval (years or months).

Percentage of ERV for Vacant Leases
Enter the percentage of the estimated rental value of vacant leases to be included in the head rent.

Category Menu
The only options on the Category menu available in UK valuations are Rent Abatements, and Rent Abatement Modifiers. These function in the same manner as in standard ARGUS files. Please see Chapter 9, Rent Abatements for more information.
Market Menu
The following Market menu options are available in UK valuations:

- Market Leasing Assumptions
- Tenant Improvements
- Leasing Commissions
- Payment Options

For more information about Market Leasing Assumptions, please see Chapter 16, Market Leasing Assumptions. For more information about Tenant Improvements, Leasing Commissions, and Payment Options, please see Chapter 12, Leasing Costs.

Yield Menu
The following options are available on the Yield menu in UK valuations:

- Rates
- Purchaser’s Costs

Rates
This window is where you enter many of the values needed for UK valuations.

If you entered data on the Headlease window, the Rates window will include a row called Headlease, in which you can enter Term, Reversion, Top Slice, Bottom Slice, and Equivalent Yield rates.

For tenants entered on the Rent Roll window, the Rates window lists two rows for each tenant: one under the Freeholder (or Headlease) row, and one under the Occupational Leases row. For tenants listed under the Freeholder (or Headlease) row, you can enter information in all columns except Cap/Defer Rate and Inflation Rate. For tenants listed under the Occupational Leases row, you can enter data in the Term, Bottom Slice, Sinking Fund, and Tax Rate fields.
ARGUS interprets entries between zero and one as decimal values, and entries greater than one as percentages. The maximum allowed value is 1000.

The rates are used in valuations in the following manner. Rates entered in the **Headlease** row are used to calculate the headlease in relation to the freehold (freehold valuation). Rates entered in the individual lease rows under the **Headlease** row and above the **Occupational Leases** row are used to calculate the individual leases in relation to the headlease (headlease valuation).

Rates entered in the individual lease rows under the **Occupational Leases** row are used to calculate the individual leases in relation to themselves (individual tenant valuations).

**Purchaser’s Costs**

The Purchaser’s Costs window allows you to enter fees associated with property sales, such as transfer fees and stamp duty. ARGUS considers these costs in the valuations, and subtracts them from the value of the property.

You may use the Purchaser’s Costs window to enter a VAT rate, individual costs, what percentage of the value of the property the costs represent, and whether to apply the VAT rate.

ARGUS interprets values from 1 to 1000 as percentages, and values from 0.01 to 1 as decimals that will be converted to percentages. ARGUS interprets values from 0 to .0099 as decimals and stores them exactly as entered.
Reporting
Choose **UK Valuation Methods** from the **Reports** menu to report on UK Valuation files. The screen example below shows the report options available in UK valuations. For more information on ARGUS report options, see Chapter 27, *Reports and Graphs*.

UK Valuation and Discounted Cash Flow
You may create UK valuation files that include discounted cash flow options, or you may add discounted cash flow features to UK valuation files at a later time. If you choose to add these features to a UK valuation file, you cannot remove them.

To add discounted cash flow features to a UK valuation file, choose **Input** from the **Options** menu, and then choose the following option on the Analysis Region tab:

- **UK Valuation and Discounted Cash Flow**

You will receive a message asking you to confirm your selection. Once you have confirmed your selection, the ARGUS interface will include the features needed to perform a discounted cash flow analysis. For more information about the added features, see the corresponding chapter in this manual.

UK Calculation
In UK valuation files, the UK Calculation tab allows you to specify whether the **Annually in Arrears** or **Quarterly in Advance** discounting method should be used.

If you are performing a discounted cash flow analysis in addition to the UK valuation, you can use this tab to select the type of discounted cash flow analysis you wish to include. You may choose from the following options:

- Standard ARGUS
- Freeholder DCF
- Headlease DCF
UK Valuation in Portfolios

You may consolidate UK valuation files in portfolios. When you create a UK portfolio, the **UK Methods** button on the Consolidation Type tab will be automatically selected, as illustrated in the screen example below.

You may not consolidate both UK and non-UK files in the same portfolio.
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