ARGUS Valuation - DCF Step-By Step Guide

The contents of this document are considered proprietary by ARGUS Software, the information enclosed and any portion thereof may not be utilized for any purpose other than the consideration of ARGUS Software. Information in this document is subject to change without notice and represents no commitment on the part of ARGUS Software.

Copyright © 2011 ARGUS Software, Inc. All rights reserved.

Trademarks
ARGUS Software™ is a trademark of ARGUS Software. All other trademarks and registered trademarks are property of their respective companies and should be treated as such.

ARGUS Valuation - DCF was formerly known as ARGUS.

Disclaimer
This manual has been prepared for use by ARGUS Software personnel, licensees and customers.

ARGUS Software reserves the right to make changes without notice at any time to this document, and shall not be held legally responsible for any typographical, arithmetic and listing errors.
# Table of Contents

## Chapter 1

Getting Started.................................................................................................................. 7

- Objectives.................................................................................................................. 7
- Getting Support......................................................................................................... 7
- Property Library ....................................................................................................... 8
- Executive Dashboard ............................................................................................... 12
- Command Buttons .................................................................................................. 15
- Global Categories ................................................................................................... 16
- International Capabilities ....................................................................................... 17
- Creating a New File ................................................................................................. 18
- The ARGUS Wizard ................................................................................................. 19
- Setting up a Template .............................................................................................. 19
- Chapter Summary .................................................................................................... 20

## Chapter 2

Property Description, Timing, and Inflation ................................................................. 21

- Objectives................................................................................................................ 21
- Office, Retail and Industrial .................................................................................... 21
- Property Description ............................................................................................... 22
- Timing ....................................................................................................................... 23
- Area Measures ......................................................................................................... 25
- Constants ................................................................................................................ 26
- Property Inflation .................................................................................................... 28
- Additional Data and Comments ............................................................................. 29
- Input and Output Preferences .................................................................................. 31

## Chapter 3

Miscellaneous Revenues, Expenses, and Capital Expenditures .................................. 33

- Objectives................................................................................................................ 33
- Miscellaneous Revenues ......................................................................................... 33
- Reimbursable Expenses .......................................................................................... 36
- Non-Reimbursable Expenses ............................................................................... 38
- Capital Expenditures .............................................................................................. 40
Chapter 7

Space Absorption ........................................................................................................... 78
  Objectives...................................................................................................................... 78
  Space Absorption............................................................................................................ 78
  Space Information.......................................................................................................... 81
  Absorption Parameters................................................................................................. 82
  Projection Lease Terms.................................................................................................. 82
  Additional Information.................................................................................................... 84

Chapter 8

Property Purchase and Resale ......................................................................................... 85
  Objectives...................................................................................................................... 85
  Property Purchase.......................................................................................................... 85
  Property Resale............................................................................................................... 87

Chapter 9

Direct Capitalization and Present Value .......................................................................... 91
  Objectives...................................................................................................................... 91
  Direct Capitalization...................................................................................................... 91
  Present Value Discounting............................................................................................. 93

Chapter 10

Debt Financing and Partnerships ...................................................................................... 96
  Objectives...................................................................................................................... 96
  Displaying Debt............................................................................................................. 96
  Debt Name and Currency............................................................................................... 98
  Debt Note Dates............................................................................................................. 99
  Debt Note Term Length ............................................................................................... 100
  Debt Amounts.............................................................................................................. 100
  Interest Rates............................................................................................................... 101
  Advanced Debt Options............................................................................................... 102
  Partner Equity Contributions......................................................................................... 103
  Cash Flow Distributions............................................................................................... 104
  Resale Distributions...................................................................................................... 104
Chapter 11
Depreciation and Taxes ........................................................................................................ 105
   Objectives ......................................................................................................................... 105
   Depreciation and Taxes ..................................................................................................... 105

Chapter 12
Reports ................................................................................................................................. 108
   Objectives ......................................................................................................................... 108
   Property Level Reports ..................................................................................................... 108
   Depreciation and Taxes Reports ....................................................................................... 112
   Partner Distribution Reports ............................................................................................ 112
   Tracking Reports ............................................................................................................... 113
   Presentation Rent Roll Report .......................................................................................... 114
   Individual Tenant Reports ............................................................................................... 114
   Market Leasing Reports .................................................................................................... 115
   Supporting Schedules Reports .......................................................................................... 117
   Stacking Plan ................................................................................................................... 117
   Reporting Tools ............................................................................................................... 118
   Report Writer .................................................................................................................... 122
Chapter 1
Getting Started

Objectives
This chapter will discuss the following topics:
- Support for ARGUS Valuation-DCF
- Property Library
- Executive Dashboard
- Command Buttons
- Global Categories
- International Capabilities
- Creating a New File

Getting Support
Getting support for ARGUS Valuation-DCF is easy. Support agents may be contacted via phone or e-mail. Listed below are the contact details and hours of operation:

Support Contact Information:
- **US/Canada:** 1 888-MyARGUS(692-7487)
- **Asia Pacific/Singapore:** +65 6411 2288
- **Japan:** 00531650404
- **Australia:** +612 9262 1332
- **North China:** 10800 6500 477
- **South China:** 10800 2652 492
- **Europe:** +44 (0) 20 8238 8345
- **All other please call:** +1 713 621 4343

**Email:** support@argussoftware.com

Hours of Operation:
- **Americas:** 7:30am to 6:30pm GMT-6 Monday to Friday, excluding USA public holidays
- **Europe:** 9:00am to 5:30pm GMT Monday to Friday, excluding UK public holidays
- **Asia/Pacific:** 7:00am to 7:00pm GMT+8 Monday to Friday, excluding Singapore public holidays
Property Library

Description:
Navigation begins from the ARGUS Valuation-DCF main screen, called the Property Library. The Property Library displays files contained in the Data subdirectory of ARGUS Valuation-DCF, and provides a number of powerful file operations and display options.
1 Menus
The ARGUS Valuation-DCF drop-down menus provide access to every available window in the program. Much of the commonly-used options in the drop-down menus are also accessible from the toolbar icons.

2 Task Pane
The ARGUS Valuation-DCF Task Pane at the left side of the screen provides a number of shortcut and convenience functions, which include:

<table>
<thead>
<tr>
<th>Tab</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Getting Started</td>
<td>This pane quickly creates new files, opens recent files, connects to the ARGUS Valuation-DCF website, and accesses a shared workspace online.</td>
</tr>
<tr>
<td>ARGUS Alerts</td>
<td>This pane allows you to login to the ARGUS Valuation-DCF website to receive instant alerts, news, and other ARGUS Valuation-DCF related information.</td>
</tr>
<tr>
<td>ARGUS Wizard</td>
<td>The ARGUS Valuation-DCF Wizard assists in creating new files and provides a user-friendly interface for basic data input.</td>
</tr>
<tr>
<td>Shared Workspace</td>
<td>For those who have created or joined a Shared Workspace on ARGUS Zone, this pane allows easy access to files and other content inside the workspace.</td>
</tr>
</tbody>
</table>

Built using popular Microsoft SharePoint technology, ARGUS Software has created an innovative new tool called, ARGUS Zone. The Zone is an extranet that simplifies the process of sharing documents and information over the Internet. With a single click, members create secure, private workspaces for select collaborators to share documents and information across the room or across the globe.

ARGUS Zone has all the functionality of SharePoint with a clear, real estate friendly interface. The built in document library and other utilities make ARGUS Zone an efficient, convenient and secure way to organize information. Typically, users set up sites around properties for asset management, acquisitions or financing. However, ARGUS Zone sites can also organize information around appraisals, consulting projects, vendors or meetings.

To find out more about ARGUS Zone, go to arguszone.com.
3 Property Library Toolbar

The Property Library Toolbar supports a number of useful file and display operations. Place the mouse cursor over a Toolbar icon to identify the function it represents.

Functions include the ability to navigate to directories and perform actions on one or more ARGUS Valuation-DCF files without first opening the files. The toolbar can be used to change the data folder to display, refresh the Property Library, email one or more ARGUS Valuation-DCF files, report on a batch of files, create a portfolio, compare two or more ARGUS Valuation-DCF files, add selected files to the Tenant Registry or export the selected Property Library view to Excel.

For certain items on the Property Library toolbar to work, one or more files must be selected. To select individual properties, click the check box corresponding to the property. To select all the properties currently displayed in the Property Library, click the check box at the top of the list. This checkbox can also be used to clear all currently selected properties.

4 Property Library

The Property Library window displays a list of property files and sub-directories in the active directory. The following actions may be performed from the Property Library:

- View file information
- Change the selected view
- Open a file
- Create a portfolio
- Compare selected files
- Publish files
- Report on batches of files
- Export the selected view to Excel

<table>
<thead>
<tr>
<th>Property Library</th>
</tr>
</thead>
<tbody>
<tr>
<td>File Name</td>
</tr>
<tr>
<td>[Parent Folder]</td>
</tr>
<tr>
<td>Data_EDU</td>
</tr>
<tr>
<td>European Data</td>
</tr>
<tr>
<td>- Apartment</td>
</tr>
<tr>
<td>- ARGUS Advanced</td>
</tr>
<tr>
<td>- Budget</td>
</tr>
<tr>
<td>- Day 1 Review</td>
</tr>
<tr>
<td>- Develop</td>
</tr>
<tr>
<td>- Global</td>
</tr>
</tbody>
</table>
To change the default Property Library view, click the drop-down next to the Property Library label and select the desired view. Certain views contain results and other views contain input assumptions.

To export the selected view, click the Excel icon in the Property Library toolbar. Excel will open automatically. Input assumptions exported to Excel from the Property Library can then be changed in Excel, and those changes can be pushed from Excel back into ARGUS Valuation-DCF dynamically to update one or more ARGUS files simultaneously. Result records and other information for each of the ARGUS DCF models in the Property Library view can be exported to Excel for reporting or additional analysis.
Executive Dashboard

Description:
Once a file has been created or opened, the Executive Dashboard displays. The Executive Dashboard is a basic summary of all the information put into an ARGUS Valuation-DCF file.

The menus, toolbar icons, and dashboard hyperlinks are links to input screens.

Export and Print buttons on the bottom right portion of the window will export or print the Executive Dashboard screen.

The Import Graphic icon is used to import and display images on the Executive Dashboard. Default images are provided for new ARGUS Valuation-DCF files.
To change the contents and format of the Executive Dashboard, click the Dashboard Templates toolbar icon or select a pre-formatted Dashboard template from the drop-down menu.

The following window displays:

When editing or creating a new template, the Executive Dashboard Options window displays tabs with content available for inclusion or exclusion to a dashboard. Use the Include and Exclude buttons to add or remove items from the dashboard view.

To re-order information displayed on the Executive Dashboard, use the arrow buttons to move the included item up or down in the list.
Dashboard templates may be saved and used in other ARGUS Valuation-DCF systems. Dashboard templates can also be exported by selecting the Export Option.
Command Buttons

**Description:**
The table below lists the toolbar buttons that are displayed in the revenue and expenses windows:

<table>
<thead>
<tr>
<th>Button</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Insert" /></td>
<td>Insert a new revenue or expense line.</td>
</tr>
<tr>
<td><img src="image" alt="Copy" /></td>
<td>Copy the active line and insert it directly below the original. This is useful for entering information for similar items. The fields in the copied line may be edited as needed.</td>
</tr>
<tr>
<td><img src="image" alt="Delete" /></td>
<td>Delete the selected lines. As a precaution, ARGUS Valuation-DCF requires the confirmation of the Delete command.</td>
</tr>
<tr>
<td><img src="image" alt="Move" /></td>
<td>Rearrange lines into the desired order. Select the row to move, click Move, and then click the row where it should be moved.</td>
</tr>
<tr>
<td><img src="image" alt="Copy Cell" /></td>
<td>Copy the contents of the active cell. <em>Note: Cells may only be copied and pasted within the same column.</em></td>
</tr>
<tr>
<td><img src="image" alt="Paste Cell" /></td>
<td>Paste the contents of a copied cell into a new cell. This button is only available if the contents of another cell are selected.</td>
</tr>
<tr>
<td><img src="image" alt="Undo" /></td>
<td>Undo up to the last ten actions performed in the current screen. ARGUS Valuation-DCF will undo category selection changes, but modifications to the actual categories cannot be undone.</td>
</tr>
<tr>
<td><img src="image" alt="Redo" /></td>
<td>Redo up to the last ten undone actions.</td>
</tr>
<tr>
<td><img src="image" alt="Calculator" /></td>
<td>Display a calculator tool.</td>
</tr>
<tr>
<td><img src="image" alt="Arrow" /></td>
<td>This button indicates which direction the cursor will move when the Enter key is pressed. Click this button to change the direction of the arrow.</td>
</tr>
<tr>
<td><img src="image" alt="Close" /></td>
<td>Save any changes and exit the window.</td>
</tr>
<tr>
<td><img src="image" alt="Detail" /></td>
<td>This button is available when a selected field supports the entry of detail information.</td>
</tr>
<tr>
<td><img src="image" alt="Help" /></td>
<td>Access the ARGUS Valuation-DCF Help system.</td>
</tr>
</tbody>
</table>
Global Categories

Description:
Global categories are categories that can be used in any ARGUS Valuation-DCF file. These global categories provide extra control and consistency for many ARGUS Valuation-DCF input assumptions and market rates. By using Global categories, it is possible to modify assumptions across a portfolio for quick-and-easy sensitivity analysis or valuation updates.

Global Categories may only be created or edited when no ARGUS Valuation-DCF files are open. Once a Global Category is created, the category may be applied in any property file.

How-To

Create or edit a Global Category:
1. Close any open ARGUS Valuation-DCF file to return to the Property Library.
2. From the File menu, select Global Categories. A sub-menu displays.
3. From the Global Categories sub-menu, select the appropriate category. The category window displays.
4. To create a category, click New.
5. To edit an existing category, click the appropriate category and then click Edit.
6. Add or edit the desired entries in the window.
7. Click OK to save the Global Category.
8. Click Close.
Apply a Global Category in a property file:
1. Open the ARGUS Valuation-DCF file in which the Global Category will be applied.
2. Access the appropriate category window.
3. Click New. The category window displays.
4. Click the Based On drop-down arrow and select the appropriate Global Category.
5. Click OK to save the category.
6. Click Close.

International Capabilities

Description:
Similar to Global Categories, specific features may be applied for different regions.
These capabilities are entered in Country Settings. Once a Country Settings category is
created, the category may be applied in a property file.

How-To
Create or edit a Country Settings category:
1. Close any open ARGUS Valuation-DCF file to return to the Property Library.
2. From the File menu, select Global Categories. A sub-menu displays.
3. From the Global Categories sub-menu, select Country Settings. The category
   window displays.
4. To create a new Country Settings category, click New.
5. To edit an existing Country Settings category, click the appropriate category and
   then click Edit.
6. Add or edit the desired entries.
7. Click OK to save the Country Settings category.
8. Click Close.

Apply a Country Settings category as the default setting for any new files:
1. Close any open ARGUS Valuation-DCF file to return to the Property Library.
2. From the File menu, select Global Categories. A sub-menu displays.
3. From the Global Categories sub-menu, select Country Settings. The category
   window displays.
4. Click the appropriate Country Settings category and then click Set Base.
5. To accept the base change, click OK.
6. Click Close.
Country Settings can be changed for individual property files to account for different region settings. To apply a Country Settings category to an individual property file:

1. Open the ARGUS Valuation-DCF file in which the Country Settings category will be applied.
2. From the Property menu, select Description. The Property Description window displays.
3. Click the Input Preferences tab.
4. Click the Input Settings drop-down arrow and select the appropriate Country Settings category. The settings in this category will determine how the measurements, currency and date formats are entered for the property file.
5. Click the Output Preferences tab.
6. Click the Output Settings drop-down arrow and select the appropriate Country Settings category. The settings in this category will determine how the measurements, currency and date formats will be shown on the reports for the property file.
7. Click OK to save the setting for the property.

Creating a New File

Description:

Files can be created by the following three methods:

- From Scratch (When a file is created from scratch, property-specific categories and information is set up for the file.)
- ARGUS Valuation-DCF Wizard
- From Template

Practice:

1. From the File menu, select New. A sub-menu displays.
2. From the New sub-menu, select From Scratch.
3. A new file window displays, enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>File Name</td>
<td>ARGUS Training File</td>
</tr>
</tbody>
</table>

4. Click Save. The Property Description window displays. Proceed to the next chapter to enter property descriptions for the file.
The ARGUS Wizard

Description:
The ARGUS Valuation-DCF Wizard is a step-by-step guide to entering the property data for a new property from scratch. Information is added through a form. Once all the needed information is added through the form, all entered data is added into a new file.

How-To

Create a file from the ARGUS Valuation-DCF Wizard:
1. From the File menu, select New. A sub-menu displays.
2. From the New sub-menu, select ARGUS Valuation-DCF Wizard.
3. In the ARGUS Valuation-DCF Wizard, click Continue to add a property file. The File Name and Property Type window displays.
4. In the File Name field, enter the name for the file.
5. Click the Property Type drop-down arrow and select the appropriate property type. *Note: For this case study, select Office/Retail when creating the Property Type. The selected Property Type determines how the rest of the file is constructed. Therefore, once the Property Type is chosen, it cannot be changed.
6. Click Continue.
   Continue following the steps to enter property descriptions, revenues, expenses, tenant information, and yield information. When all your necessary information is added, click Finish. The property file is created and the Executive Dashboard displays.

Setting up a Template

Description:
A template file may be created with categories and general settings to use as a basis for new projects in ARGUS Valuation-DCF. Using a template avoids some of the repetitive data entry tasks for multiple new projects.

Before using a template, a generic file must be created. Within this generic file, add all the repetitive data to use in all new files. Once the generic file is completed, it is saved as a template.

Once the template is created, any new file added by the template will automatically include the repetitive data from the template.
How-To

Add a template:
1. Start a new file from scratch. See the Creating a New File section for detailed instruction.
2. Add the necessary repetitive data. This data could include various categories, market leasing assumptions, generic revenues and expenses with no monetary values, and yield information. These topics will be discussed in detail in the following chapters.
3. From the File menu, select Copy. A sub-menu displays.
4. From the sub-menu, select Make a Template.
5. An information window displays. Click OK.

Create a file using a template:
1. From the File menu, click New. A sub-menu displays.
2. From the sub-menu, click From Template. The New window displays.
3. In the File Name field, enter the name of the new file, and then click Save. The Templates window displays.
4. Select the appropriate template, click OK. The new file is created with the pre-defined data from the template.

Chapter Summary
This chapter provided insight and information regarding getting started with ARGUS Valuation-DCF, including how to change the Property Library view, how to create new Executive Dashboard categories and the international capabilities of ARGUS Valuation-DCF.
Chapter 2

Property Description, Timing, and Inflation

Objectives
The first step in building an ARGUS Valuation-DCF file is to enter basic property information. This chapter will cover how to input descriptive information about the property such as name, address, property type, and size. As well as information regarding the timing of the analysis to be done and inflation rates.

- Property Description
- Timing
- Area Measures
- Constants
- Property Inflation
- Additional Data and Comments
- Input and Output Preferences

Office, Retail and Industrial
Commercial properties, such as office buildings, retail centers, and industrial buildings are modeled in ARGUS Valuation-DCF using the same methodology. This guide describes the process of modeling the following scenario:

- International investors are considering the purchase of a new 20-story office building in New York City. A 10-year DCF analysis will assist in their decision.
- The 487,720 square foot building is approximately 50% occupied with a single anchor tenant, but given the current market conditions, the building is anticipated to lease up to stabilized occupancy within 12 months.
- Various miscellaneous revenues, operating expenses and capital expenditures will also be analyzed.
- A 2% general inflation rate will be assumed. A 2% general vacancy and a 0.5% credit and collection loss will both be applied to the potential gross revenue.
- A target 10% Internal Rate of Return is desired for the investment. The resale will be calculated by applying a 6.25% capitalization rate on the 11th year Net Operating Income, then adjusted for a 1.5% resale commissions.
Property Description

Description:
The Property Description window is the first window that appears when creating a new file. This window contains basic information about the property including the Property Name, Address, Country, and Property Type. Several Property Types are available including Office/Industrial, Retail, Office & Retail, Apartment, Hotel/Motel, General, Portfolio, Unit Sales, and Loan.

Practice:
1. From the Property menu, select Description.
2. The Property Description window displays. Note that there are other tabs at the top of the window for access to other windows such as timing, area measures and inflation.
3. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Name</td>
<td>New York Tower</td>
</tr>
<tr>
<td>Address</td>
<td>1 First Street</td>
</tr>
<tr>
<td>City</td>
<td>New York</td>
</tr>
<tr>
<td>State</td>
<td>NY</td>
</tr>
<tr>
<td>Zip</td>
<td>10001</td>
</tr>
<tr>
<td>Country</td>
<td>US</td>
</tr>
</tbody>
</table>
| Property Type | Office & Retail *

*Note: The selected Property Type determines how the rest of the file is constructed. Therefore, once the Property Type is chosen, it cannot be changed.
Timing

Description:

The Timing tab contains space to enter an Analysis Start Date, Reporting Start Date, and Number of Years to Report or End Date.

The Reporting Start Date must fall on or after the Analysis Start Date. Both the Analysis and Reporting Start Dates are entered in a Month/Year format, and ARGUS Valuation-DCF is assuming the first day of the entered month.
Additional field descriptions are as follows:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis Start Date</td>
<td>The Analysis Start Date sets the date at which ARGUS Valuation-DCF calculations will occur, and all entries that begin with a “relative” start date will be relative to this date. For example, if a tenant’s lease begins in Month 6, ARGUS Valuation-DCF will interpret this as the 6th month from the Analysis Start.</td>
</tr>
<tr>
<td>Reporting Start Date</td>
<td>Reporting Start Date sets the date at which reports will begin. This includes Property Level reports, Supporting Schedules, and other time-series reports. The Reporting Start Date does not control or alter the timing of base calculations in the program.</td>
</tr>
<tr>
<td>Years To Report or End Date</td>
<td>The entry in this field defines the end of the holding period. Accepted entries include a fixed end date or the whole number of years from the reporting start date. The interval between the analysis start date and the end of the reporting period cannot exceed 40 years.</td>
</tr>
</tbody>
</table>

**Practice:**

1. In the **Property Description** window, click the **Timing** tab.
2. Enter the following timing for the property:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis Start Date</td>
<td>July 1, 2008 (Enter M/YY format = 7/08)</td>
</tr>
<tr>
<td>Reporting Start Date</td>
<td>July 1, 2008 (Enter M/YY format = 7/08)</td>
</tr>
<tr>
<td>Years To Report or End Date</td>
<td>10 years</td>
</tr>
</tbody>
</table>
Area Measures

Description:
The Area Measures tab is where the property size is entered. It is also possible to enter an Alternate Property Size if, for example, the calculation of expenses will be based on a size that is greater or smaller than the property size.
Practice:

1. In the Property Description window, click the Area Measures tab.
2. Notice that the Property Size is already highlighted. Click Edit to adjust the Property Size category.
3. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Size</td>
<td>487,720</td>
</tr>
</tbody>
</table>

4. Click OK.

Constants

Description:
The Constants tab allows the creation and definition of a Constants category. This category will then appear as a % of Constant selection in the Units field for each of the revenue and expense windows.

An example of a Constant is Land Value, which could be used to later to model taxes or fees associated with the value of the land.

Note: The top category, Total Purchase Price, will exist in all ARGUS Valuation-DCF models and cannot be deleted or moved. Editing this category will open the Property Purchase Price window to modify the purchase price input. See the Property Purchase section for additional details regarding the input of purchase price.
Click **Direct Entry** to enter an amount as a simple input. Click **Detail** to enter detailed information.

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Enter a descriptive name for this constant.</td>
</tr>
<tr>
<td>Direct Entry</td>
<td>Enter the value of the constant as a static value or as an amount that changes over time.</td>
</tr>
<tr>
<td>Percent of Line</td>
<td>Define the value of this constant as a percentage of other results.</td>
</tr>
<tr>
<td>Constant - Direct Entry</td>
<td>Enter the constant value or click <strong>Detail</strong> to enter values that change over time.</td>
</tr>
</tbody>
</table>

**Practice:**
1. In the Property Description window, click the **Constants** tab.
2. Notice that the **Total Purchase Price** is already highlighted. To adjust the **Total Purchase Price** category, click **Edit**.
3. To create a new category, click **New** and enter desired data.
**Property Inflation**

**Description:**
The Property Inflation tab is where both general and specific inflation rates are entered. These rates apply to revenues and expenses by default throughout the file.

Percentages may be entered as either a decimal or a whole number. When entering a percentage less than 1% (e.g. 0.5%), use a decimal format (e.g. 0.005) and ARGUS Valuation-DCF will convert the input to a percentage format automatically.

If an inflation field is left null, it will default to the General Inflation rate. Year 1 inflation is always unavailable for input, since inflation does not occur until the beginning of the 2nd year.

In office, retail, and industrial properties, a Reimbursement Method is also selected. Reimbursement Method options include:

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal reimbursement using fiscal inflation</td>
<td>Tenants reimburse their expenses to the property owner on a fiscal basis and the reimbursable expenses also inflate fiscally.</td>
</tr>
<tr>
<td>Calendar reimbursement using calendar inflation</td>
<td>Tenants reimburse their expenses to the property owner on a calendar basis and the reimbursable expenses also inflate on a calendar basis.</td>
</tr>
<tr>
<td>Calendar reimbursement using fiscal inflation</td>
<td>Tenants reimburse their expenses to the property owner on a calendar basis but the reimbursable expenses inflate fiscally.</td>
</tr>
</tbody>
</table>

For reimbursement methods that include fiscal inflation, a specific inflation month may be chosen. The **Inflation Month** field specifies when inflation is to be applied. Choose from the following options:

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis Start</td>
<td>ARGUS Valuation-DCF will apply annual inflation in the same month in which the analysis begins.</td>
</tr>
<tr>
<td>Specific Month</td>
<td>ARGUS Valuation-DCF will apply annual inflation in the selected month.</td>
</tr>
</tbody>
</table>

**Practice:**
1. In the Property Description window, click the **Property Inflation** tab.
2. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>2%, 2 or 0.02(for 2% annual inflation)</td>
</tr>
</tbody>
</table>

3. Because inflation is projected to be 2% each year, click **Extend** to apply the entered inflation throughout the following years of the analysis.
Additional Data and Comments

Description:
Additional Data such as the property owner, lender, property manager or asset manager can be entered in the Additional Data tab. If the additional data does not fall within these titles, the click on the Comments tab to enter miscellaneous comments.

How-To
Add additional data:
1. In the Property Description window, click the Additional Data tab.
2. Enter the desired information in the appropriate fields.
Add comments:

1. In the Property Description window, click the Comments tab.
2. Enter the desired information in the appropriate fields.
Input and Output Preferences

Description:
The Input Preferences tab is where ARGUS Valuation-DCF data entry preferences are specified. The Output Preferences tab is where ARGUS Valuation-DCF reporting preferences are specified. Options that can be modified include Area Measurement Units, Currency, and Date Format.

This capability allows property to be modeled using local currency and area measures and converted at a property or portfolio level to another currency or area measure convention for international investment and reporting purposes.

How-To
Specify the desired input preferences:
1. In the Property Description window, click the Input Preferences tab.
2. Click Detail to make any changes to the Area Measurement Units, Currency, or Date Format.
Specify the desired output preferences:
1. In the Property Description window, click the Output Preferences tab.
2. Click Detail to make any changes to the Area Measurement Units, Currency, or Date Format.

Chapter Summary:
This first step in building an ARGUS Valuation-DCF file is to enter basic property information. In this section, the Property Description was introduced. This window includes the Timing, Property Size, Constants, and Property Inflation tabs.
Chapter 3
Miscellaneous Revenues, Expenses, and Capital Expenditures

Objectives
Once the Property Description is entered, the next step in creating a file is to enter the miscellaneous revenues and property expenses. This chapter will reveal how to input the following:
- Miscellaneous Revenues
- Operating Expenses
- Capital Expenditures
- Escrow contributions and Distributions
- General Vacancy and Credit Loss

Miscellaneous Revenues

Description:
Miscellaneous Revenues are property-level income items not received from the tenants. These items could include vending machines or roof antennas. Any operating revenue not paid by the tenants can be entered into this window.

Fields in the Miscellaneous Revenues window are as follows:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Enter a name for the revenue item. This information prints on calculated reports exactly as it is entered.</td>
</tr>
<tr>
<td>Acct Code</td>
<td>Enter an account code for the item as needed. This field is optional.</td>
</tr>
</tbody>
</table>
| Amount     | Define the amount of miscellaneous revenue as a simple value (such as $10,000) or use a specific data entry method:  
  - Detail: Specify the exact months and amounts when revenue is received.  
  - Sub-lines: Specify the individual components that make up a revenue line item.  
  - S-curve: Spread any percentage of a revenue item over a series of months. |
### Units
Determine how the entry in the Amount field is calculated by selecting one of the following options:
- **$ Amount**: The entered number is calculated as a full payment amount.
- **$/Area**: The entered number is multiplied by the selected area measurement in the Area/Constant column.
- **% of EGR**: The entered number is calculated as a percentage of the Effective Gross Revenue.
- **% of Constant**: The entered number is calculated as a percentage of the Constant category selected in the Area/Constant column.
- **% of Line**: The Percent of Line window allows the revenue to be based on a percentage of other items in the property.

### Area / Constant
Determine how certain entries in the Units field is calculated by selecting one of the following options:
- One of many Area Measure selections
- Total Purchase Price or other Constants selections

### Frequency
Determine how often to apply the line entry by selecting one of the following options.
- **/Year**
- **/Month**
- **/Quarter**

### % Fixed
The % Fixed field adjusts for vacancy by dividing line items into fixed and variable components. If a number is entered in this field, it will override the ARGUS Valuation-DCF default, which is 100% fixed. ARGUS Valuation-DCF will adjust the variable amount by the average physical occupancy level for that year.

**Percent Fixed: Example**

Below are three examples of the same expense at 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
Inflation
Leave this field blank to use the general inflation from the Property Description window. Enter a specific inflation rate to override the general inflation for this line item.

Ref Acct
The reference account field allows the data entry of the line item but prevents the item from appearing on the Cash Flow report.
- Select Yes if the line item is entered for informational purpose only. The item will be excluded from the Cash Flow report.
- Leave the field blank or change the selection to No to include the line item in the Cash Flow report.

Notes
Select Yes to enter notes and comments about the line item.

**Practice:**
1. From the Property menu, select Miscellaneous Revenues.
2. Click Insert to add a new line as needed.
3. Enter the following information:

<table>
<thead>
<tr>
<th>Line</th>
<th>Field Entries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant Services</td>
<td>$0.50/SqFt./Month at 0% Fixed</td>
</tr>
<tr>
<td>Antennae Fees</td>
<td>$50,000 per Month at 100% Fixed</td>
</tr>
<tr>
<td>Vending Machines</td>
<td>$20,000 per Month at 0% Fixed</td>
</tr>
</tbody>
</table>

4. When all lines are entered, click Close to save the information.
Reimbursable Expenses

Description:
Operating expenses that the landlord may recover from the tenants are entered in the Reimbursable Expenses window. Common reimbursable expenses typically include Utilities, Taxes, Insurance, Repairs and Maintenance.

All entries in this window will be available for reimbursement by the tenants. An expense may be entered as a simple Amount, Detailed Amount, $ per Area, % of Constant, % of EGR, % of Line, Prop 13 % or as Sub-lines. For field descriptions, see the Miscellaneous Revenues section of this document.

Expenses are often based on occupancy. When this is the case, leases can have a “Gross Up” clause, which specifies that tenants must pay expenses up to a defined occupancy level. Gross Up for Reimbursement artificially “grosses up” expenses to the occupancy percentage level entered in the Reimbursable Expenses window. The Gross Up feature applies only to expenses that are less than 100% fixed. It applies only to the variable portion of the expense, and does not affect the actual expense that appears on the Cash Flow report.

In this example, a Janitorial expense is set at 0% Fixed. This means the entire expense is calculated based on occupancy. Without the gross up feature activated, the tenants would pay the actual expense that calculates on the Cash Flow report. If the Gross Up for Reimbursement box is checked, and 90% is entered, tenants will always reimburse the Janitorial expense as if the building were at a minimum 90% occupancy.

Not Grossed Up:
Janitorial expense entered as $50,000 (0% Fixed)
Occupancy = 50%
50,000 x .50 = $25,000
Calculated Janitorial expense = $25,000
Tenants reimburse based on a $25,000 expense

Using Gross Up:
Janitorial expense entered as $50,000 (0% Fixed)
Occupancy = 50%
Gross up percent = 90%
50,000 x .90 = $45,000
Calculated Janitorial expense grossed up = $45,000
Tenants reimburse based on a $45,000 expense
**Practice:**

1. From the **Property** menu, select **Reimbursable Expenses**.
2. Click **Insert** to add a new line.
3. Enter the following information:

<table>
<thead>
<tr>
<th>Line</th>
<th>Field Entries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities</td>
<td>The cost for utilities will vary each month. Click the <strong>Amount</strong> drop-down arrow and select <strong>Detail</strong>. Enter the following amounts in the first column:</td>
</tr>
<tr>
<td></td>
<td>- July: 0.75</td>
</tr>
<tr>
<td></td>
<td>- August: 0.75</td>
</tr>
<tr>
<td></td>
<td>- September: 0.65</td>
</tr>
<tr>
<td></td>
<td>- October: 0.65</td>
</tr>
<tr>
<td></td>
<td>- November: 0.70</td>
</tr>
<tr>
<td></td>
<td>- December: 0.70</td>
</tr>
<tr>
<td></td>
<td>- January: 0.75</td>
</tr>
<tr>
<td></td>
<td>- February: 0.75</td>
</tr>
<tr>
<td></td>
<td>- March: 0.70</td>
</tr>
<tr>
<td></td>
<td>- April: 0.65</td>
</tr>
<tr>
<td></td>
<td>- May: 0.65</td>
</tr>
<tr>
<td></td>
<td>- June: 0.70</td>
</tr>
</tbody>
</table>

1. Click **Column** to copy the entered year to all following years in the analysis.
2. Click **OK** to save the detailed information.
3. Click the **Units** drop-down arrow and select **$/Area**
4. Click the **Area/Constant** drop-down arrow and select **Property Size**.
   In the **Fixed** column, enter 30%.

<p>| Repairs &amp; Maintenance | $1,200,000 per year at 75% fixed |</p>
<table>
<thead>
<tr>
<th>Janitorial</th>
<th>$1.50 per SqFt. based on the Property Size each year at 15% fixed.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Expenses</td>
<td>$20,000 per month at 100% fixed</td>
</tr>
</tbody>
</table>

4. For this example, the property grosses up expenses to 95% occupancy. Click the **Gross Up for Reimbursement** checkbox and enter **95** in the % occupancy field.

5. Click **Close** to save the reimbursable expenses information.

**Non-Reimbursable Expenses**

**Description:**
Operating expenses that are not reimbursed by the tenants are entered in the Non-Reimbursable Expenses window. One example of a non-reimbursable expense may be a management fee.

Non-reimbursable expenses will print on the Cash Flow report in the Operating Expense section. These items print directly below the Reimbursable Expenses items. For field descriptions, see the Miscellaneous Revenues section of this document.
**Practice:**

1. From the Property menu, select Non-Reimbursable Expenses.
2. Click Insert to add a new line.
3. Enter the following information:

<table>
<thead>
<tr>
<th>Line</th>
<th>Field Entries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land &amp; Property Taxes</td>
<td>Taxes totaling $2.75M are paid in July of each year. Click the Amount drop-down arrow and select Detail. Enter $2.75M in the July cell and click the Column button. Taxes are expected to inflate 0.50% per year. In the Inflation cell for the Jun-2010 column, enter 0.005 and click Extend.</td>
</tr>
<tr>
<td>Insurance</td>
<td>Insurance is $350,000 per year at 100% fixed.</td>
</tr>
<tr>
<td>Management Fees</td>
<td>Management Fees are 3.5% of the Effective Gross Revenues.</td>
</tr>
</tbody>
</table>

4. Click Close to save the non-reimbursable expense items.
**Capital Expenditures**

**Description:**
Expenses that do not affect the property’s Net Operating Income should be entered in the Capital Expenditures window. These items appear in the Leasing and Capital Costs section on the Cash Flow report.

Capital Expenses are typically replacement reserves or capital improvements. These items are entered the same way as in the revenue and expenses windows. For field descriptions, see the Miscellaneous Revenues section of this document.

**Practice:**
1. From the Property menu, select Capital Expenditures.
2. Click Insert to add a new line.
3. Enter the following information:

<table>
<thead>
<tr>
<th>Line</th>
<th>Field Entries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Improvements</td>
<td>Planned capital improvements include $5,000,000 in March 2010. This estimate is in 2008 dollars and will be allowed to inflate.</td>
</tr>
<tr>
<td>Replacement Reserves</td>
<td>Reserves will be $1.50/SqFt./Year.</td>
</tr>
</tbody>
</table>
Development Costs

Description:
Development Costs are costs that are incurred during the construction phase for a property. Development costs include:

<table>
<thead>
<tr>
<th>Window</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land/Acquisition Costs</td>
<td>Enter the costs of the land area or property acquisition and associated acquisition costs. These items may include land costs, options monies and environmental assessment.</td>
</tr>
<tr>
<td>Hard/Construction Costs</td>
<td>Enter the hard/construction costs for the project. Hard/construction costs include the labor and materials needed to construct a building. These types of costs may include construction materials, water lines, electrical systems, plumbing, elevators, and road building.</td>
</tr>
<tr>
<td>Soft/Development Costs</td>
<td>Enter the soft development costs for the project. Soft/development costs are not considered to be directly related to physical construction. Examples include building permits, survey fees, architectural fees, engineering fees, legal fees and construction management fees.</td>
</tr>
</tbody>
</table>

How-To
Add costs associated with land and acquisitions:
1. From the Property menu, select Development Costs. A sub-menu displays.
2. From the sub-menu, select Land/Acquisition Costs.
3. Enter the desired land and acquisition costs for the project.
4. When all lines are entered, click Close.
Add costs associated with construction:
1. From the Property menu, select Development Costs. A sub-menu displays.
2. From the sub-menu, select Hard/Construction Costs.
3. Enter the desired hard/construction costs for the project.
4. When all lines are entered, click Close.

Add costs associated with the development fees:
1. From the Property menu, select Development Costs. A sub-menu displays.
2. From the sub-menu, select Soft/Development Costs.
3. Enter the desired soft/development costs.
4. When all lines are entered, click Close.

Escrow

Description:
Escrow windows allow the entry of escrow contributions and distributions within the analysis. It also allows the hold of the escrow balance as additional collateral for a loan.

<table>
<thead>
<tr>
<th>Window</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Contributions</td>
<td>Enter contributions to the escrow account. Items added in the Escrow Contributions window will also be listed on the Escrow Distributions and Escrow Balance windows.</td>
</tr>
<tr>
<td>Escrow Distributions</td>
<td>This window specifies when the funds in the escrow account are to be dispersed.</td>
</tr>
<tr>
<td>Escrow Balance</td>
<td>This window determines the following information:</td>
</tr>
<tr>
<td></td>
<td>▪ Apply an interest rate to the escrow balance.</td>
</tr>
<tr>
<td></td>
<td>▪ Indicate whether the escrow balance should be added to the resale amount.</td>
</tr>
<tr>
<td></td>
<td>▪ Determine from where the escrow contributions are taken.</td>
</tr>
<tr>
<td></td>
<td>▪ Apply a source to fund the escrow contributions (if needed).</td>
</tr>
</tbody>
</table>
The fields in the Escrow Contributions and Escrow Distributions windows are the same as the Revenue and Expenses windows. The fields in the Escrow Balance window are as follows:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate</td>
<td>Enter an interest rate to apply to the escrow account balance. This rate will be compounded monthly.</td>
</tr>
<tr>
<td>Add to Resale</td>
<td>To add the escrow balance to the resale proceeds, click the drop-down arrow and select Yes. *Note: This option is not available in Unit Sales and Development properties.</td>
</tr>
<tr>
<td>Type</td>
<td>This field specifies whether ARGUS Valuation-DCF will interpret escrow contributions as capital or non-capital items.</td>
</tr>
<tr>
<td>Funding Source</td>
<td>This field specifies the source from which the equity contribution is being drawn. The sources may include debt financing notes and partner contributions.</td>
</tr>
</tbody>
</table>

**Budgeting Account Codes**

**Description:**
An alphanumeric Budgeting Account code of up to 12 characters for each label can be assigned to cash flow line items. Additionally, the appearance of the report labels may be changed. This does not change any report calculations, but the user-defined label will appear on reports in place of the default label.

**Practice:**
1. From the Property menu, select Budgeting Account Codes.
2. In the Account Code fields, enter the account codes for the desired categories.
3. ARGUS Valuation-DCF includes a Default Line Label for each category. To use different labels, enter the category names in the User Defined Line Label fields.
4. Click Close to save the codes.

**General Vacancy**

**Description:**

General Vacancy is an optional method of applying additional economic loss to a property. It is an annual calculation that calculates the loss using the end-of-year income numbers. This calculation is especially helpful for properties with consistent changes in income.
General Vacancy amounts will be reflected on the Property Cash Flow report before the Effective Gross Revenue total. Several options are available for calculating General Vacancy:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Method</td>
<td>Determine how to calculate the general vacancy for the valuation. Select one of the following options:</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Percent of Potential Gross Revenue:</strong> all income paid by the tenants and all miscellaneous revenues.</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Percent of Scheduled Base Revenue:</strong> base rental income paid by the tenants; excludes additional rent changes, recoveries and miscellaneous revenues.</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Percent of All Rental Revenue:</strong> all rental income and recoveries paid by the tenants; excludes miscellaneous revenues.</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Direct Input of Amounts:</strong> enter a fixed amount to deduct from the Potential Gross Revenue.</td>
</tr>
<tr>
<td>Primary Rate/Amount</td>
<td>Apply the percentage or amount to use for the general vacancy. Use a fixed amount for every year of the calculation, or click <strong>Detail</strong> to enter different amounts in each year for the calculation.</td>
</tr>
<tr>
<td>Overrides Based On</td>
<td>Specify how overrides are to be based on any of the following groups:</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Tenant Groups</strong> (default)</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Industry Groups</strong></td>
</tr>
<tr>
<td></td>
<td>▪ <strong>User-Defined Groups</strong></td>
</tr>
<tr>
<td>Overrides Affect Primary Rate As</td>
<td>Determine the way ARGUS Valuation-DCF interprets the override rates entered for included groups. The following options are available:</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Percent Adjust</strong></td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Basis Point Addition</strong></td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Replace</strong> (default)</td>
</tr>
<tr>
<td>Available Groups</td>
<td>This field displays the available tenant groups that may be used for overrides.</td>
</tr>
<tr>
<td></td>
<td>To use a different general vacancy rate for a tenant group, highlight the group and click <strong>Include</strong>. In the <strong>Replacement Rate</strong> field, enter the vacancy rate for that specific group. In the <strong>Exclude upon Rollover</strong> field, select <strong>No</strong> to use the override rate for all terms for the tenants in the group.</td>
</tr>
</tbody>
</table>
These options modify the General Vacancy Loss calculation by the impact of the projected physical vacancy of the property, known as Absorption & Turnover Vacancy.

- **Percent Based on Revenue Minus Absorption & Turnover Vacancy:** The default option will cause the model to calculate the General Vacancy Loss before any deductions for Absorption & Turnover Vacancy. In other words, if Potential Gross Revenue or Scheduled Base Rental Revenue are selected as the Method, the Absorption & Turnover Vacancy will be added back to the cash flow for the calculation of the General Vacancy Loss Result.

- **Reduce General Vacancy Result by Absorption & Turnover Vacancy:** The default option will reduce the General Vacancy Loss Result by the Absorption & Turnover Vacancy.

**Practice:**

1. From the **Property** menu, select **General Vacancy Loss**.
2. Enter the following information.

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Method</td>
<td>Percent of Potential Gross Revenue</td>
</tr>
<tr>
<td>Primary Rate</td>
<td>2 (for 2% general vacancy)</td>
</tr>
</tbody>
</table>

3. Click **OK**.
Credit Loss

**Description:**
The Credit & Collection Loss window applies a loss in the cash flow report that can be attributed to bad debt, delinquencies and non-payment of rents. ARGUS Valuation-DCF calculates credit and collection losses annually; therefore, loss amounts do not change from month to month. General vacancy losses do not affect the credit and collection loss calculations.

The Credit and Collection Loss window is set up exactly as the General Vacancy Loss window. Refer to the General Vacancy topic for field descriptions.

**Practice:**
1. From the **Property** menu, select **Credit Collection & Loss**.
2. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Method</td>
<td>Percent of Potential Gross Revenue</td>
</tr>
<tr>
<td>Primary Rate</td>
<td>0.005 (for 0.5% credit loss)</td>
</tr>
</tbody>
</table>

3. Click **OK**.

**Chapter Summary:**
Once the basic property information is entered, the next step in building an ARGUS Valuation-DCF file is inputting the revenues and expenses. In this section, Miscellaneous Revenues, Reimbursable and Non-Reimbursable Expenses, and Capital Expenditures were set up. Also, Escrow, General Vacancy and Credit Loss topics were discussed.
Chapter 4
Rent Roll

Objectives
Current tenant information is entered in the Rent Roll window in ARGUS Valuation-DCF. This chapter will discuss the various items addressed in the Rent Roll window, including:
- Rent Roll
- Tenant Information
- Base Rent
- Rent Changes
- Retail Sales
- Reimbursements
- Rent Abatements
- Leasing Costs
- Security Deposits

Rent Roll

Description:
The Rent Roll window is where information is entered for the property’s current leases. The Rent Roll window includes the following fields. The fields will be discussed in the following sections.

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant Name/Description</td>
<td>Enter the name of the tenant or click the drop-down arrow to choose a tenant from the Tenant Registry.</td>
</tr>
<tr>
<td>Suite</td>
<td>Enter an alpha-numeric entry.</td>
</tr>
</tbody>
</table>
| Lease Type       | Select an option from the drop-down list.  
  - **Office** – The space is leased to an office tenant.  
  - **Retail** – The space is leased to a retail tenant.  
  - **Industrial** – the space is leased to an industrial tenant.  
  - **Pad Site*** – The space is not included in the property size and will not affect the occupancy of the property.  
  - **Storage*** – The space will not affect the occupancy of the property.  

*Note: These are custom lease types created via the Global Categories feature. Other lease types may be created as needed.
| **Lease Status** | Specify whether the lease is contract or speculative.  
| --- | --- |
| **Contract** | The tenant has a signed contract. This is the default entry.  
| **Speculative** | The tenant is a speculative tenant.  
| *Note:* This field entry is designed for reporting purposes to show consolidated numbers for each type of lease. The field entry does not change the calculations for the tenant.  
| **Size** | Enter the size of the lease for the initial lease term.  
| **Start Date** | Enter the date when the lease begins. The date may be entered as one of the following formats:  
| **M/YY** | Enter the month and year of the first month of the lease.  
| **M** | Enter the month number of the analysis when the lease begins.  
| **Term/Expire** | Enter the date when the lease expires, or enter the number of years for the term of the lease. The entry may be entered as one of the following ways:  
| **M/YY** | Enter the month and year of the last month of the lease.  
| **YY** | Enter the number of years for the lease term. This entry must be a whole number of years.  
| **Base/Min Rent** | Specify the base rent amount for the tenant.  
| **Unit of Measure** | Select the option that corresponds with the entry in Base/Min Rent. The choices include the following:  
| **$/SqFt./Year** |  
| **$/SqFt./Quarter** |  
| **$/SqFt./Month** |  
| **$ Amount/Year** |  
| **$ Amount/Quarter** |  
| **$ Amount/Month** |  
| **% Market** |  
| **Rent Changes** | Specify any additional rents to be paid by the tenant. The categories that may be applied in Rent Changes includes the following:  
| **Step Rent** |  
| **Porters’ Wages** |  
| **Miscellaneous Rent** |  
| **CPI Rent** |  
| **Parking** |  
| **Retail Sales** | Specify any percentage rents to be paid by the retail tenant, including retail sales volume and breakpoint information.  
| **Reimbursements** | Specify the calculation methods to apply to individual tenant leases and individual expenses or expense groups that are reimbursed by those tenants.  
| **Unit of Measure** | If a fixed recovery amount is entered in the Reimbursements field, select an option that corresponds with the entry.  
| **Rent Abatements** | Specify the months of free rent to abate for the tenant as needed.  

Leasing Costs  Specify the tenant improvements and leasing commissions for the tenant’s lease as needed.

Security Deposit  Specify the security deposits as needed. Enter a refundable deposit amount or create a category for the tenant’s refundable and non-refundable security deposits.

Marking Leasing  Create and select a category to determine the future market conditions for the space.

Upon Expiration  Specify how to calculate the future market conditions for the space.

Renewal Probability  When calculating the market rates for rollover leases for a space, enter a renewal probability as needed.

More/Notes  Enter non-calculated information regarding the tenant or specify unique rent collection schedules for individual tenant leases.

### Tenant Information

**Description:**
The Rent Roll window allows the entry of tenant-specific information for the leases in a property. To begin the process for adding a tenant, start with the basic information for a tenant.

**Practice:**
1. From the Tenant menu, select Rent Roll.
2. In the Rent Roll window, click Insert.
3. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant Name</td>
<td>Tenant 1</td>
</tr>
<tr>
<td>Suite</td>
<td>10F – 20F</td>
</tr>
<tr>
<td>Lease Type</td>
<td>Office</td>
</tr>
<tr>
<td>Lease Status</td>
<td>Contract</td>
</tr>
<tr>
<td>Size</td>
<td>259,880 SqFt.</td>
</tr>
<tr>
<td>Start Date</td>
<td>1/08</td>
</tr>
<tr>
<td>Term/Expire</td>
<td>7 years</td>
</tr>
</tbody>
</table>
4. Proceed to the next topic to add more tenant information in the Rent Roll.

**Base Rent**

**Description:**
The Base/Min Rent field allows the entry of the tenant’s base rent amount. The Unit of Measure field determines how ARGUS Valuation-DCF interprets the number in the Base/Min Rent field.

The rent may be entered as a simple or detailed rent. A simple rent is defined as a flat, non-escalating rent during the tenant’s lease.

Detailed rent is a base rent with scheduled changes during the tenant’s lease. The changes may be entered as a one-time change, recurring changes or annual percentage increases.

**Practice:**

*Enter a simple Base Rent:*

1. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base/Min Rent</td>
<td>$10.00</td>
</tr>
<tr>
<td>Unit of Measure</td>
<td>$/SqFt./Month</td>
</tr>
</tbody>
</table>
2. Proceed to the next topic to add more tenant information in the Rent Roll.

**How-To**

*Enter a detailed Base Rent:*

1. Click the **Base/Min Rent** drop-down arrow, and then click **Detail**. The Detail Base/Min Rent window displays.
2. In the **Date** field, enter the date when the rent takes effect. The date formats include the following:
   - **M/YY** – The month and year when the rent will take effect.
   - **M** – The month number within the lease when the rent will take effect.
3. In the **Amount** field, enter the amount of rent.
4. Click the **Units** drop-down arrow, and then click the appropriate option. This selection corresponds with the entered Amount.
5. Repeat steps 2-4 to add the necessary rents for the tenant.
6. Click **OK** to save the base rents.

**Rent Changes**

**Description:**

The Rent Changes field allows the entry of additional rents for a tenant’s lease. The changes entered in this section will be reported on their own line on the tenant Cash Flow reports.
Rent Changes may be created for the following categories:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step Rent</td>
<td>Monetary rents in addition to the Base/Min Rent entered for the tenant.</td>
</tr>
<tr>
<td>Porters’ Wages</td>
<td>Apply a rent for tenants to pay the wages for the building’s doormen.</td>
</tr>
<tr>
<td></td>
<td>* Note: This rent change category is used primarily for the New York City market.</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>Apply an additional rent based on a percentage of the tenant’s rents.</td>
</tr>
<tr>
<td>CPI Rent</td>
<td>Apply an increase in the Consumer Price Index (CPI) for the tenant’s lease.</td>
</tr>
<tr>
<td></td>
<td>The increase is based on the tenant’s base rent, step rent and CPI rent the tenant paid in the year preceding the CPI increase.</td>
</tr>
<tr>
<td>Parking</td>
<td>Apply tenant-specific parking rents in addition to the Base/Min Rent entered for the tenant.</td>
</tr>
</tbody>
</table>

These Rent Changes are only applied as needed for a tenant lease. When there are no rent changes, leave this field blank.

**How-To**

**Apply Rent Changes:**
1. Click the Rent Changes drop-down arrow, and then click Yes.
2. Click the drop-down arrow for the appropriate Rent Change category and click the desired category.
3. Click OK to save the Rent Changes for the tenant.

**Create a Step Rent category from the Rent Changes window:**
1. Click the Step Rent field.
2. Click Detail. The Step Rent Adjustments category window displays.
3. Click New. The Step Rent Adjustments window displays.
4. In the Category field, enter a name for the Step Rent.
5. In the Date field, enter the date when the additional rent will be applied. The date formats include the following:
   - M/YY – the month and year when the additional rent will be applied.
   - M – the month number within the lease when the additional rent will be applied.
6. In the Amount field, enter the amount of rent to apply in addition to the base rent. *Note: do not enter the full amount of rent.*
7. Click the Units drop-down arrow, and then click the appropriate option. This selection corresponds with the entered Amount.
8. Repeat steps 2-4 to add any additional rents for the tenant during the lease.
9. Click OK to save the step rents. The Step Rent Adjustments category window displays.
10. Click Close. The Rent Changes window displays.
11. Click the Step Rent drop-down arrow, and then click the desired Step Rent category.
12. Click OK to save the Step Rent for the tenant.
Create a CPI category from the Rent Changes window:
1. Click the CPI Rent Category field.
2. Click Detail. The CPI Rent category window displays.
3. Click New. The CPI Rent window displays.
4. In the Category field, enter a name for the CPI Rent.
5. Click the CPI Method drop-down arrow, and then click the appropriate option for the CPI Rent. This selection tells ARGUS Valuation-DCF when to apply the CPI Rent to the tenant. The choices include the following:
   - Lease Year – apply the CPI increases once a year, on the anniversary date of the lease.
   - Calendar Year – apply the CPI increases in January of every year of the lease
   - Mid-Term – apply a one-time CPI increase at the mid-point of the lease, based on the tenant’s base rent and step rent paid in the first half of the lease.
   - Time Based – apply a time factor when the CPI increases will begin and between when each increase will take effect.
   - Increased Based – apply a percentage or index point increase factor before the CPI Rent is calculated.
6. Click the Inflation Rate/Index drop-down arrow, and then click the appropriate rate/index to use for the CPI Rent calculation. The default in the CPI Inflation, referring back to the category set up in the Inflation table for the file.
7. In the Percent Paid field, enter the percentage of CPI that is payable by the tenant. Leave this field blank to use 100% of the CPI Rent.
8. In the Minimum Increase field, enter the stated minimum increase for the CPI rent and then select the frequency for the increase.
9. In the Maximum Increase field, enter the stated maximum increase for the CPI rent and then select the frequency for the increase.
10. Click OK. The CPI Rent category window displays.
11. Click Close. The Rent Changes window displays.
12. Click the CPI Rent Category drop-down arrow, and then click the desired CPI Rent category.
13. Click OK to save the CPI Rent for the tenant.

Apply simple Parking rents in the Rent Changes window:
1. In the Spaces field, enter the number of spaces for the tenant’s lease.
2. In the Amount field, enter the monthly amount collected for each space.
3. Click OK to save the Parking Rent for the tenant.
Create a Parking category from the Rent Changes window:
1. Click the Spaces field.
2. Click Detail. The Tenant Level Parking category window displays.
3. Click New. The Parking Spaces window displays.
4. In the Category field, enter a name for the Parking Spaces rent.
5. In the Type field, enter a description for the type of space.
6. In the Total Spaces field, enter the number of spaces to be calculated for rent.
7. In the $/Space/Month field, enter the monthly amount collected for each space.
8. Repeat steps 5-7 for each type of space being rented by the tenant.
9. Click OK. The Tenant Level Parking category window displays.
10. Click Close. The Rent Changes window displays.
11. Click the Spaces drop-down arrow, and click the appropriate Parking Rent category.
12. Click OK to save the Parking Rent for the tenant.

Create a Rent Changes category outside of the Rent Roll window:
1. From the Categories menu, select the appropriate category:
   - Step Rent Adjustments
   - CPI Rents
   - Miscellaneous Rents
   - Parking Spaces
   - Porters’ Wages
2. Click New.
3. Follow the instructions as described above.
4. Once the category has been saved, it may be selected from the appropriate drop-down menu in the Rent Changes window within the Rent Roll window.

Retail Sales

Description:
The Retail Sales field is used for retail tenants where additional rents are paid based on a percentage of their projected sales.

Retail Sales rent, or percentage or turnover rents, are only applied as needed for a tenant lease. If a tenant is not obligated to pay percentage rents or you do not wish to include percentage rents in your valuation or cash flow projection, leave this field blank.
There are three primary components to Retail Sales:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Volume</td>
<td>Dollar amount the tenant projects for retail sales each year.</td>
</tr>
<tr>
<td>Percentage</td>
<td>Percentage of retail sales above the breakpoint which the tenant must pay to the property owner.</td>
</tr>
<tr>
<td>Breakpoint</td>
<td>Amount of a tenant’s retail sales volume below which a tenant does not pay a percentage. By default, a natural breakpoint is calculated by dividing the annual base rent by the retail sales percentage.</td>
</tr>
</tbody>
</table>

In addition to these three components, information for sales volumes, breakpoints and percentages may be entered in greater detail. Categories may be created to define the following assumptions:

- Account for specific sales volume or sales inflation.
- Specify changing breakpoints and percentages.
- Exclude stepped base rental revenue or CPI rent in the calculation of a natural breakpoint.

**How-To**

**Add a simple Retail Sales calculation:**

1. Click the Retail Sales drop-down arrow, and then click Yes. The Retail Sales Rent Changes window displays.
2. In the Volume field, enter the projected annual sales volume for the tenant.
3. In the next field, click the drop-down arrow and select the unit of measure for the entered sales volume.
4. In the Percent field, enter the percentage to calculate the percentage rent.
5. In the Breakpoint field, enter a $/SqFt amount when the calculation will begin or leave blank to calculate a natural breakpoint.
6. Click OK.

**Add a detailed category for the Sales Volume in the Retail Sales window:**

1. Click the Volume field, and then click Detail. The Retail Sales category window displays.
2. Click New.
3. In the Category field, enter the name for the category.
4. Click the Volume field, and then click Detail. The Retail Sales Volume category window displays.
5. Click New.
6. In the Category field, enter a name for the sales volume category.
7. In the Annual Total fields, enter the amount of sales volume projected for each year.
8. In the Inflation field, enter an inflation to apply as needed.
9. Click OK to save the category.
10. Click Close. The Retail Sales window displays.
11. Click the Volume drop-down arrow, and then click the appropriate category.
12. Complete the required fields, and then click OK.
Exclude specific rents used in the percentage rent calculation:
1. Follow the previous steps to create a Sales Volume category.
2. To exclude step rent from the natural breakpoint calculation, uncheck the Step Rent checkbox.
3. To exclude CPI rent from the natural breakpoint calculation, uncheck the CPI Rent checkbox.
4. Complete the required fields, and then click OK.

Add a detailed category for the Percent or Breakpoint in the Retail Sales Volume category:
1. Follow the previous steps to create a Sales Volume category.
2. Click the Percent field, and then click Detail. The Retail Percents/Breakpoints category window displays.
3. Click New. The Retail Percents/Breakpoints window displays.
4. In the Category field, enter a category name.
5. Click the Percentage Rent Calculated drop-down arrow, and then click the appropriate calculation.
   - Over a natural breakpoint plus rent – percentage rent is calculated using a Natural breakpoint.
   - Over a specified breakpoint less rent – enter a specific breakpoint for each “tier” of retail sales for the percentage rent calculation. Note: If a field in the Breakpoint field is left blank, the percentage rent is calculated using a Natural breakpoint.
   - Over a zero breakpoint less rent – Percentage rent is calculated for the whole amount of the sales volume, and then the base rent is subtracted from the total. If the calculated percentage rent is less than the base rent, the tenant will only pay the base rent.
6. In the Date field, enter the date when the specific volume, percent or breakpoint will be calculated.
7. In the Volume field, enter the specific sales volume as needed.
8. In the Percent field, enter the number to be calculated for percentage rent.
9. In the Brkpnt field, enter the breakpoint as needed.
10. Repeat steps 5-8 for each entry for the percentage rent calculations.
11. Click OK to save the category.
12. Click Close. The Retail Sales window displays.
13. Click the Percent drop-down arrow, and then click the appropriate category.
14. Complete the required fields and then click OK.
Reimbursements

Description:
The Reimbursements field calculates how a tenant will pay for their portion of the reimbursable operating expenses.

The Reimbursement field accepts numeric entries, or simple reimbursements. The Unit of Measure field will determine how the reimbursement entry is calculated.

Three pre-defined reimbursement methods are available from the Reimbursements drop-down arrow, see the following:

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>The tenant will not pay for operating expenses during the lease.</td>
</tr>
<tr>
<td>Net</td>
<td>The tenant will pay the pro-rata share of reimbursable expenses based on the tenant’s share of the property. For example, if the tenant occupies 4% of the property size, the tenant will pay 4% of the reimbursable expenses.</td>
</tr>
<tr>
<td>Base Stop</td>
<td>The tenant will pay the pro-rata share of reimbursable expenses over a base year expense stop. The base year expense stop is the total expenses in the first year of the lease. The tenant will pay their share of any increases in the expenses after the first year of the lease.</td>
</tr>
</tbody>
</table>

In addition to these above options, Detailed Reimbursement Methods may be created to define reimbursements in greater detail. These categories may be created for any of the following situations:
- Specify different reimbursement methods for individual operating expenses.
- Specify different base year expense stops for individual operating expenses.
- Group individual operating expenses together for the reimbursement calculation.
- Exclude individual operating expenses from the reimbursements.

**Note:** All reimbursable operating expenses should be created in the Reimbursable Expenses window prior to creating a Detailed Reimbursement Method.
**Practice:**

To add a simple reimbursement calculation for a tenant:

1. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reimbursements</td>
<td>$1.00</td>
</tr>
<tr>
<td>Unit of Measure</td>
<td>$/SqFt./Year</td>
</tr>
</tbody>
</table>

2. Proceed to the next topic to add more tenant information in the Rent Roll.

Alternatively, to add a pre-defined reimbursement method for a tenant:

1. Click the **Reimbursements** drop-down arrow.
2. Click the desired method or the **Detail** button to create a more complex **Reimbursement** category which defines the recovery methods by expense or expense group.

**Rent Abatements**

**Description:**

The Rent Abatement field calculates any concessions, or free rent, given to the tenant.

Simple rent abatements are entered as the number of months that the tenant will not pay rent. Several defaults are applied when the number of abated months for abatement is entered for the tenant:

- Enter the rent abatements in whole months.
- All months for the rent abatements are applied at the start date for the tenant’s lease.
- The rent abatement is based on the base rent and CPI rent.
Categories may be created to enter detailed rent abatement information. These categories may account for any of the following situations:

- Rent abatements are staggered through the lease.
- Rent abatements are based on a portion of the rent.
- Rent abatements are modified to be based on specific types of rent charges or reimbursements.

**How-To**

**Add a simple rent abatement:**
1. Click the Rent Abatement field.
2. Enter the number of months to abate.

**Create a detailed rent abatement from the Rent Roll window:**
1. Click the Rent Abatement field, and then click Detail. The Rent Abatements category window displays.
2. Click New. The Rent Abatements window displays.
3. In the Category field, enter a name for the category.
4. In the Date field, enter the month within the lease when the rent abatement will be applied.
5. In the Percent field, enter the percentage of rent to be abated.
6. In the Months field, enter the number of months for which the abatements will be applied.
7. Click OK to save the category.
8. Click Close. The Rent Roll window displays.
9. Click the Rent Abatements drop-down arrow, and then click the appropriate rent abatement category.
Create a modifier for a rent abatement category:

1. Follow the steps in the previous process to create a rent abatement category.
2. Click the Modifier field, and then click Detail. The Rent Abatement Modifier category window displays.
3. Click New. The Rent Abatement Modifier window displays.
4. In the Category field, enter a name for the category.
5. Click the checkboxes for the rents to include for abatements.
6. For each selected rent, enter the percentage to be abated. Leave the modifier field blank to assume 100 percent abatement.
7. Click OK to save the category.
8. Click Close. The Rent Abatement category displays.
9. Click the Modifier field, and then click the appropriate category.
10. Click OK to save the rent abatement category.

Leasing Costs

Description:

The Leasing Costs field allows the entry of tenant improvements and leasing commissions. Simple entries for tenant improvements include the following fields:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>The number to be calculated for Tenant Improvements</td>
</tr>
<tr>
<td>Units</td>
<td>The choices include the following:</td>
</tr>
<tr>
<td></td>
<td>▪ $/SqFt.</td>
</tr>
<tr>
<td></td>
<td>▪ $ Amount</td>
</tr>
</tbody>
</table>

Simple entries for leasing commissions include the following fields:

<table>
<thead>
<tr>
<th>Field / Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>The number to be calculated for Leasing Commissions</td>
</tr>
<tr>
<td>Units</td>
<td>The choices include the following:</td>
</tr>
<tr>
<td></td>
<td>▪ Percent - Based on the total base rent, step rent and rent abatements for the term</td>
</tr>
<tr>
<td></td>
<td>▪ $/SqFt.</td>
</tr>
<tr>
<td></td>
<td>▪ $ Amount</td>
</tr>
<tr>
<td></td>
<td>▪ # of Months</td>
</tr>
</tbody>
</table>
If necessary, categories may be created to enter detailed information for either leasing cost. Leasing Commissions categories allow the entry of very specific methods for calculating the commission. The Leasing Commission window includes the following fields and options:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>Enter the name for the category.</td>
</tr>
<tr>
<td>Based On</td>
<td>Select an existing category on which to base the current category.</td>
</tr>
<tr>
<td>Payment Made</td>
<td>Select how the commissions will be applied in the reports.</td>
</tr>
<tr>
<td>Unit of Measure</td>
<td>Select the method how the commission will be calculated. The options include:</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Percent</strong> - Based on the total base rent, step rent and rent abatements for the term</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>$/SqFt.</strong></td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Lease Year %</strong> - Calculates specific percentages of the rents for specific years within the term</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>1st Mo + % remain</strong> - Calculates a specific percentage of the first month’s rents, plus a flat percentage of the remaining rents for the entire term</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>1st Yr + % Mkt. Review</strong> - Calculates a specific percentage for the first year’s rents, plus a percentage of rent increases for the remaining lease years</td>
</tr>
<tr>
<td></td>
<td>▪ <strong># of Months</strong></td>
</tr>
<tr>
<td></td>
<td>▪ <strong>$ Amount</strong></td>
</tr>
</tbody>
</table>

**New**

Enter the appropriate number in the first cell. Leasing commissions for new leases will be calculated with these numbers. Repeat or extend the entries as needed. 

*Note: The column headings may change based on the selected Unit of Measure.*

**Renewal**

Enter the appropriate number in the first cell. Leasing commissions for renewal leases will be calculated with these numbers. Repeat or extend the entries as needed.

*Note: Leave the renewal cells blank to use the same numbers entered on the New row. If leasing commissions will not be calculated upon rollover, enter 0 in the Renewal cells.*

**Include**

Select the rent checkboxes to be included in the leasing commission calculation. Uncheck the rent types to be excluded in the leasing commission calculation.

*Note: The Include section may not be available based on the selected Unit of Measure.*
How-To

Enter simple leasing costs:

1. Click the **Leasing Costs** drop-down arrow, and then click **Yes**.
2. In the **Tenant Improvements: Amount** field, enter the number for the tenant improvements.
3. Click the **Tenant Improvements: Units** drop-down arrow, and click the appropriate unit for the entered number.
4. In the **Leasing Commissions: Amount** field, enter the number for the commission calculation.
5. Click the **Leasing Commissions: Units** drop-down arrow, and click the appropriate unit for the entered number.
6. Click **OK**. The Rent Roll window displays.

Create a detailed Tenant Improvement category from the Leasing Cost window:

1. Click the **Tenant Improvements: Amount** field, and then click **Detail**. The Tenant Improvements category window displays.
2. Click **New**. The Tenant Improvements window displays.
3. In the **Category** field, enter a name for the category.
4. In the **Unit of Measure** drop-down arrow, and click the appropriate option.
5. In the **New** row, enter the amount of tenant improvements in the appropriate years. **Note:** *If a new lease begins in a particular year, the lease will be calculated with the entered tenant improvements.*
6. In the **Renew** row, enter the amount of tenant improvements in the appropriate years. **Note:** *If a renewal lease begins in a particular year, the lease will be calculated with the entered tenant improvements.*
7. In the **Inflation** row, enter the amount of inflation to apply to the entered amounts as necessary.
8. Click **OK** to save the category.
9. Click the **Tenant Improvements: Amount** drop-down arrow, and then click the appropriate category.
Practice:

Create a detailed Tenant Improvement category from the Leasing Cost window:

1. Click the Leasing Cost field, select Yes. The Leasing Cost window displays.
2. Click the Leasing Commissions: Amount field, and then click Detail. The Leasing Commissions category window displays.
3. Click New. The Leasing Commissions window displays.
4. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>100pct Mo 1 + 2pct</td>
</tr>
<tr>
<td>Unit of Measure</td>
<td>1st Mo + % remain</td>
</tr>
<tr>
<td>New</td>
<td>1st Month = 100, % Rest = 2</td>
</tr>
<tr>
<td>Renewal</td>
<td>1st Mo = 0, % Rest = 0</td>
</tr>
<tr>
<td>Include</td>
<td>Uncheck the Free Rent checkbox.</td>
</tr>
<tr>
<td></td>
<td>Uncheck the Step Rent checkbox.</td>
</tr>
</tbody>
</table>

5. Click OK to save the category.
6. Click Close.
7. Click the Leasing Commissions: Amount drop-down arrow, and then select the appropriate category.
8. Click OK. The Rent Roll window displays.

9. Once all the information has been added, click Close.
Security Deposits

Description:
Security Deposit categories are used to specify refundable and non-refundable deposits for leases. These categories may be applied to lease terms on the tenant rent roll, space absorption and market leasing assumptions screens.

The Security Deposit category window includes the following fields:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>Enter the name of the category</td>
</tr>
<tr>
<td>Non-Refundable Deposit</td>
<td>Enter the amount of deposit that is not refundable upon lease expiration.</td>
</tr>
<tr>
<td>Unit of Measure</td>
<td>Specify how the deposit amount will be calculated:</td>
</tr>
<tr>
<td></td>
<td>- $ Amount</td>
</tr>
<tr>
<td></td>
<td>- $/SqFt</td>
</tr>
<tr>
<td></td>
<td>- Months - A number of months multiplied by the base rent for the first month of the lease</td>
</tr>
<tr>
<td>Refundable Deposit Amount</td>
<td>Enter the amount of deposit that is refundable to the tenant upon lease expiration.</td>
</tr>
<tr>
<td>Unit of Measure</td>
<td>Specify how the deposit amount will be calculated. Refer to the non-refundable units of measure for descriptions.</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>Enter a rate at which interest is earned on the deposit balance.</td>
</tr>
<tr>
<td>Percent to Refund</td>
<td>Enter a percentage of the security deposit amount to refund upon lease expiration. The default entry is 100%.</td>
</tr>
</tbody>
</table>
How-To

*Create a Security Deposit category from the Rent Roll window:*

1. Click the **Security Deposit** field, and then click **Detail**. The Security Deposits category window displays.
2. Click **New**. The Security Deposits window displays.
3. In the **Category** field, enter a name for the category.
4. Add the **Non-Refundable** deposit information.
5. Add the Refundable deposit information.
6. Click **OK** to save the category.
7. Click **Close** to return to the Rent Roll window.

*Add a Security Deposit to a lease:*

1. Click the **Security Deposit** drop-down arrow.
2. Select the appropriate category.

**Chapter Summary:**

Current tenant information is entered in the Rent Roll window in ARGUS Valuation-DCF. This chapter defined and demonstrated the various items addressed in the Rent Roll window, including adding basic tenant information, simple and detailed base rent, retail sales, expense reimbursement options, rent abatements, leasing costs, and security deposits.
Chapter 5
Market Leasing Assumptions

Objectives

Market Leasing Assumptions control what happens to a space after the current lease term expires and it goes to market. This chapter will discuss the various items addressed in the Market Leasing Assumptions, including:

- Market Leasing Assumptions
- Renewal Probabilities and Weighted Items
- Changing Base Rents
- Other Non-Weighted Items
- Term Overrides

*Open the Rent Roll window prior to reviewing the following topics.*

Market Leasing Assumptions

Description:

Market Leasing Assumptions control what happens to a lease after it expires and goes to market. All the parameters for market conditions are entered in Market Leasing Assumptions.

All leases in the Rent Roll window must have a Market Leasing Assumption category assigned. Once a lease expires, ARGUS Valuation-DCF calculates future lease information from the inputs in the Market Leasing Assumption category, not from the Rent Roll.

The Market Leasing Assumption category window includes the following fields:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>Enter the name of the category</td>
</tr>
<tr>
<td>Lease Status</td>
<td>The default entry is Speculative.</td>
</tr>
<tr>
<td>Renewal Probability</td>
<td>Enter a probability that an expiring tenant will renew the lease. This probability factor will calculate the market averages.</td>
</tr>
<tr>
<td>Market Rent</td>
<td>Enter the market rents for a new lease and a renewal lease.</td>
</tr>
<tr>
<td>Months Vacant</td>
<td>Enter the number of months projected for the down time between the expiring lease and the new lease.</td>
</tr>
<tr>
<td>Tenant Improvements</td>
<td>Select a category or enter the number to be calculated for tenant improvements for a new lease and a renewal lease.</td>
</tr>
<tr>
<td>Leasing Commissions</td>
<td>Select a category or enter the number to be calculated for leasing commissions for a new lease and a renewal lease.</td>
</tr>
</tbody>
</table>
Rent Abatements | Select a category or enter the number to be calculated for rent abatements for a new lease and a renewal lease.
---|---
Security Deposit | Select a category to be calculated for security deposits for a new lease and a renewal lease or enter refundable deposits as a number of rents’ months.
Rent Changes | Specify any additional rents for the rollover tenant’s lease. The rent changes categories include the following:
| Changing Base Rent – Apply percentage increases to the base rent.
| Step Rent – Apply monetary increases to the base rent.
| Porters’ Wages – Typically only used in the New York City market.
| Miscellaneous – Apply additional rents based on percentages of other rents.
| CPI Increases – Apply percentage increases to the base rent.
| Parking – The default entry is Continue Prior.
Retail Sales | Specify the percentage rents to be calculated for the rollover lease.
Reimbursements | Specify how the rollover lease will pay for their share of the reimbursable operating expenses. Select a method or enter a number to be calculated for reimbursements.
Term Lengths | Specify the length of the rollover lease. The entry may be entered as number of years or number of months.
**Practice:**

*To create a Market Leasing Assumption from the Rent Roll window:*

1. Click the **Market Leasing** field.
2. Click **Detail**. The Market Leasing Assumptions category window displays.
3. Click **New**. The Market Leasing Assumptions window displays.
4. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>Office Market</td>
</tr>
</tbody>
</table>

5. To add more information in the Market Leasing Assumption category, proceed to the next topic.

**Renewal Probabilities and Weighted Items**

**Description:**

When creating a market leasing assumption, parameters are assigned for both New Market conditions and Renewal Market conditions. ARGUS Valuation-DCF will create a market rate from the New Market entries and the Renewal Market entries. This market calculation is used for each of the weighted items in the first half of the Market Leasing Assumption window.

The calculation for the market rate, also called the weighted average, is based on the entry in the Renewal Probability field. For example, if the renewal probability is 80%, then 80% of the Renewal Market numbers are added to 20% of the New Market numbers.

*Note:* Any blank Renewal Market field is automatically calculated with the same number entered in the corresponding New Market field.
Practice:
Continuing with the Market Leasing Assumption category, complete the following steps:

1. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewal Probability (Renewal Mkt column)</td>
<td>80</td>
</tr>
<tr>
<td>Market Rent</td>
<td>New Market = $10/SqFt./Month</td>
</tr>
<tr>
<td></td>
<td>Renewal Mkt = Click the Renewal Mkt drop-down arrow, and then click Use Last Rent.</td>
</tr>
<tr>
<td>Months Vacant</td>
<td>New Market = 5</td>
</tr>
<tr>
<td>Tenant Improvements</td>
<td>New Market = $25/SqFt.</td>
</tr>
<tr>
<td></td>
<td>Renewal Market = $5/SqFt.</td>
</tr>
<tr>
<td>Leasing Commissions</td>
<td>Click the New Market drop-down arrow and select “100pct Mo 1 + 2pct”.</td>
</tr>
<tr>
<td>Rent Abatements</td>
<td>New Market = 2</td>
</tr>
<tr>
<td></td>
<td>Renewal Market = 0</td>
</tr>
</tbody>
</table>

2. To add more information in the Market Leasing Assumption category, proceed to the next topic.

Changing Base Rents

Description:
The market rent in a market leasing assumption are inflating by the Market Rent inflation rate while the market leasing assumption is not in affect. Once the rollover lease begins, the market rents are locked in at the current market rate.

If percentage inflations are to occur during a rollover lease, a Changing Base Rent category must be applied to the Market Leasing Assumption. This category is found in the Rent Changes field.

A changing base rent is not a weighted item. The changing base rent is applied to the rollover lease regardless of the New or Renewal status of the tenant.
How-To

Change Base Rents:
1. In the Market Leasing Assumption window, click the Rent Changes field, and then click Detail. The Rent Changes window displays.
2. Click the Changing Base Rent field, and then click Detail. The Changing Base Rent category window displays.
3. Click New. The Changing Base Rent window displays.
4. In the Category field, enter a name for the category.
5. In the Date field, enter 1.
6. In the Amount field, enter 100.
7. Click the Units drop-down arrow, and then click % Market.
8. In the next Date field, enter the month number of the lease when the change will take effect.
9. In the Amount field, enter the amount for the percentage increase.
10. Click the Units drop-down arrow, and then select the appropriate percentage increase.
11. Repeat steps 8-10 as needed.
12. Click OK to save the category.
13. Click Close. The Rent Changes window displays.
14. Click the Changing Base Rent drop-down arrow, and then click the appropriate category.
15. Click OK.

Other Non-Weighted Items

Description:
The bottom half of the Market Leasing Assumptions window includes the non-weighted items. Any of these items applied to the market leasing assumption will calculate in the rollover lease regardless of the New or Renewal status of the tenant.

Similar to the main tenant information, categories for these items may be created by clicking Detail from the desired field.

How-To

Add Rent Changes to a Market Leasing Assumption:
1. Click the Rent Changes field, and then click Detail. The Rent Changes window displays.
2. Click the appropriate category drop-down arrow, and click the desired category to apply.
3. Click OK. The Market Leasing Assumption window displays.
**Add Retail Sales category to a Market Leasing Assumption:**
1. Click the Retail Sales drop-down arrow.
2. Click the desired category to apply.

**Practice:**

Specify Reimbursements to be calculated within a Market Leasing Assumption:
1. Click the Reimbursements drop-down arrow, and then click the desired method for reimbursements calculation.
   OR
   In the Reimbursements field, enter the number to be calculated for reimbursements.
2. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reimbursements</td>
<td>Base Stop</td>
</tr>
</tbody>
</table>

3. To add more information in the Market Leasing Assumption category, proceed to the next section.

**Practice:**

Specify the length of the rollover lease:
1. From the Market Leasing Assumptions window, locate the Term Length field.
2. Enter the number of months or number of years for the rollover lease.
3. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term Length</td>
<td>5 Years</td>
</tr>
</tbody>
</table>

4. Click OK to save the category.
5. Click Close. The Rent Roll window displays.
6. Click the Market Leasing drop-down arrow and select “Office Market”.

Proceed to the next chapter to set up the remaining fields for the tenants in the Rent Roll.
Term Overrides

Description:
By default, the data in Market Leasing Assumptions is applied to all rollover terms for a lease. Specific data may be calculated for a particular rollover term by using Overrides.

The Term override column allows the entry for the various aspects of the Market Leasing assumption. These overrides may be applied to one or many rollover terms.

The entered override amounts are not inflated and are not weighted by the renewal probability. Any blank fields in the override columns will default to the original Market Leasing Assumption values.

How-To

Add term overrides:
1. In the Market Leasing Assumption window, click Override. The window expands to display Term override columns.
2. Add the desired override amounts in the desired Term override columns.
3. Click OK to save the information.

Chapter Summary:

Market Leasing Assumptions control what happens to a lease after it expires and goes to market. This chapter defined and demonstrated various items in the Market Leasing Assumptions, including Renewal Probabilities and Weighted Items, Changing Base Rents, Other Non-Weighted Items, and Term Overrides.
Chapter 6
Remaining fields in the Tenant Rent Roll

Objectives
This chapter will discuss topics for the remaining fields in the Rent Roll, including:
- Upon Expiration
- Intelligent Renewals
- Renewal Probability Overrides
- Tenant Notes

*Open the Rent Roll window prior to reviewing the following topics.

Upon Expiration

Description:
The Upon Expiration field determines what happens to the space when the current lease expires. The selection will tell ARGUS Valuation-DCF how to calculate the future numbers from the assigned market leasing assumption.

The Upon Expiration field includes the following choices:

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>The space will be leased according to the weighted average parameters in the associated market leasing assumption.</td>
</tr>
<tr>
<td>Renew</td>
<td>The space will be leased according to the renewal parameters in the associated market leasing assumption.</td>
</tr>
<tr>
<td>Vacate</td>
<td>The space will be leased according to the new parameters in the associated market leasing assumption.</td>
</tr>
<tr>
<td>Option</td>
<td>The space has an option lease available. An option is the continuation of the original lease. The market leasing assumption will be ignored for the first rollover term.</td>
</tr>
<tr>
<td>ReAbsorb</td>
<td>Revenue from this space ends when the lease expires.</td>
</tr>
<tr>
<td>Non-Contiguous</td>
<td>Link multiple lines on the Rent Roll into one lease. Apply the market leasing assumption for the lease in the last line of the group.</td>
</tr>
</tbody>
</table>
**Practice:**

1. Click the **Upon Expiration** drop-down arrow, and click the appropriate option.
2. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upon Expiration</td>
<td>Market</td>
</tr>
</tbody>
</table>

**Intelligent Renewals**

**Description:**

Intelligent Renewals categories may be created to provide flexibility in determining the projected base rent for speculative lease renewals. These categories allow the renewal rent to be determined by a comparison of current or contract rents to market. It also allows the projected rent to be based on a blended rate comprised of a percentage of current or contract rent and market.

**Renewal Probability Overrides**

**Description:**

The Renewal Probability field is used to override the renewal probability entry in the associated market leasing assumption. This entry determines at what probability the weighted averages will be calculated.

This field provides tenant-by-tenant control of the rollover market calculations without creating a large number of market leasing assumption categories.

**How-To**

*Override Renewal Probabilities*

1. Verify the **Upon Expiration** field is set to **Market**.
2. In the **Renewal Probability** field, enter the renewal probability to use for the tenant.
Tenant Notes

Description:
The **More/Notes** field allows additional non-calculated information to be entered for the tenant. The Notes window allows the entry for the following items:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor</td>
<td>Enter the floor number for the tenant. This field may be used for:</td>
</tr>
<tr>
<td></td>
<td>- Tenant selection criteria in portfolio properties.</td>
</tr>
<tr>
<td></td>
<td>- Sort criteria in all properties.</td>
</tr>
<tr>
<td></td>
<td>- Stacking plan reports.</td>
</tr>
<tr>
<td>SIC Code</td>
<td>Enter the Standard Industry Code for the tenant. This field may be used for:</td>
</tr>
<tr>
<td></td>
<td>- Tenant selection criteria in portfolio properties.</td>
</tr>
<tr>
<td></td>
<td>- Sort criteria in all properties.</td>
</tr>
<tr>
<td>Lease Reference</td>
<td>Enter a unique tenant reference. This field is used by ARGUS Valuation-DCF to match tenant records to imported data from RealmX, CONNECT or reXML.</td>
</tr>
<tr>
<td>Rent Collection</td>
<td>Select Standard for monthly rent payments or create a detailed category to describe a quarterly, semi-annually or other unique rent payment schedule.</td>
</tr>
<tr>
<td>Tenant ID</td>
<td>This field displays the unique tenant identifier associated with this lease as entered on the Tenant Registry.</td>
</tr>
<tr>
<td>Industry Group</td>
<td>If industry groups are created, the tenant may be assigned to an industry group by selecting the group from the drop-down list.</td>
</tr>
<tr>
<td>User Defined 1</td>
<td>If user defined groups are created, the tenant may be assigned to a group by selecting the group from the drop-down list.</td>
</tr>
<tr>
<td>User Defined 2</td>
<td>If user defined groups are created, the tenant may be assigned to a group by selecting the group from the drop-down list.</td>
</tr>
<tr>
<td>Notes</td>
<td>Enter notes about the tenant. These notes may be printed on reports.</td>
</tr>
</tbody>
</table>

How-To

**Add Notes to the Renewal Probabilities**

1. Click the **More/Notes** drop-down arrow, and click **Detail**. The Notes window displays.
2. Enter the desired information for the tenant.
3. Click **OK** to save the notes.
4. Repeat the steps in the previous chapters to add additional tenants in the Rent Roll window.
5. Click **Close** to save the tenant information and close the Rent Roll window.
Chapter Summary:
Once the Market Leasing Assumptions are in place, specify what will occur when each tenant lease ends. This chapter explained these fields in the Rent Roll, including: Upon Expiration Options, Intelligent Renewals, Renewal Probability Overrides, and Additional Notes.
Chapter 7
Space Absorption

Objectives
The Space Absorption window is used to model lease up projections for vacant space. This chapter will discuss the various items addressed in the Space Absorption window, including:
- Space Absorption
- Space Information
- Absorption Parameters
- Projection Lease Terms
- Additional Information

Space Absorption

Description:
While the Space Absorption window is similar to the Tenant Rent Roll, it does differ in a few key ways. The Space Absorption window allows the creation of multiple leases with staggered lease start dates on a single line of input.

The Space Absorption window includes the following fields:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Space Description</td>
<td>Enter a description for the line entry.</td>
</tr>
<tr>
<td>Lease Type</td>
<td>Select an option from the drop-down list.</td>
</tr>
<tr>
<td></td>
<td>- <strong>Office</strong> – The space is leased to an office tenant.</td>
</tr>
<tr>
<td></td>
<td>- <strong>Retail</strong> – The space is leased to a retail tenant.</td>
</tr>
<tr>
<td></td>
<td>- <strong>Industrial</strong> – The space is leased to an industrial tenant.</td>
</tr>
<tr>
<td></td>
<td>- <strong>Pad Site</strong>* – The space is not included in the property size and will not affect the occupancy of the property.</td>
</tr>
<tr>
<td></td>
<td>- <strong>Storage</strong>* – The space will not affect the occupancy of the property.</td>
</tr>
<tr>
<td>Note: These are custom lease types created via the Global Categories feature.</td>
<td></td>
</tr>
<tr>
<td>Lease Status</td>
<td>Specify whether the leases are contract or speculative.</td>
</tr>
<tr>
<td></td>
<td>- <strong>Contract</strong> – The tenant has a signed contract.</td>
</tr>
<tr>
<td></td>
<td>- <strong>Speculative</strong> – The tenant is a speculative tenant. This is the default entry.</td>
</tr>
<tr>
<td>Total Area</td>
<td>Enter the total amount of space for the line entry.</td>
</tr>
</tbody>
</table>
| **Date Available** | Enter the date when the total area is first vacant. The date may be entered as one of the following formats:  
|                     | - **M/YY** – Enter the month and year of the first month of vacancy.  
|                     | - **M** – Enter the month number of the analysis when the space is first vacant. |
| **Begin Leasing**   | Enter the date when the first lease will be created. The date may be entered as one of the following formats:  
|                     | - **M/YY** – Enter the month and year of the first month of the first lease.  
|                     | - **M** – Enter the month number of the analysis when the first lease begins. |
| **#/Size Leases**   | Enter the size for each lease. The size may be entered as one of the following formats:  
|                     | - **#** - Enter the number of leases to be created from the total area; each lease will be an equal size.  
|                     | - **Size** - Enter the area size for each lease; leases will be created with this size, and any remaining size will be included in a smaller lease. |
| **Create Leases**   | Determine how often the leases will be created, starting from the Begin Leasing date.  
|                     | - **Monthly** – Create one lease every month.  
|                     | - **Quarterly** – Create one lease every three months.  
|                     | - **Semi-Annually** – Create one lease every six months.  
|                     | - **Annually** – Create one lease every 12 months. |
| **Term/Expire**     | Enter the date when the lease expires, or enter the number of years for the term of the lease. The entry may be entered as one of the following ways:  
|                     | - **M/YY** – Enter the month and year of the last month of the lease. All leases created from this line entry would end at this date.  
|                     | - **YY** – Enter the number of years for the lease term. This entry must be a whole number of years. Each lease will be equal in length, regardless of when the leases start. |
| **Base/Min Rent**   | Specify the base rent amount for the tenant. |
| **Unit of Measure** | Select the option that corresponds with the entry in Base/Min Rent. The choices include the following:  
|                     | - **$/SqFt./Year**  
|                     | - **$/SqFt./Quarter**  
|                     | - **$/SqFt./Month**  
|                     | - **$ Amount/Year**  
|                     | - **$ Amount/Quarter**  
|                     | - **$ Amount/Month**  
<p>|                     | - <strong>% Market</strong> |</p>
<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent Changes</td>
<td>Specify any additional rents to be paid by the tenant. The categories that may be applied in Rent Changes includes the following:</td>
</tr>
</tbody>
</table>
|                       | ● Step Rent
|                       | ● Porters’ Wages
|                       | ● Miscellaneous Rent
|                       | ● CPI Rent
|                       | ● Parking
| Retail Sales          | Specify any percentage rents to be paid by the retail tenant.               |
| Reimbursements        | Specify the calculation to use when reporting the tenant’s share of the operating expenses for reimbursement. |
| Unit of Measure       | If an amount is entered in the Reimbursements field, select an option that corresponds with the entry. |
| Rent Abatements       | Specify the months of free rent to abate for the tenant as needed.          |
| Leasing Costs         | Specify the tenant improvements and leasing commissions for the tenant’s lease as needed. |
| Security Deposit      | Specify the security deposits as needed. Enter a refundable deposit amount or create a category for the tenant’s refundable and non-refundable security deposits. |
| Marking Leasing       | Create and select a category to determine the future market conditions for the space. |
| Upon Expiration       | Specify how to calculate the future market conditions for the space.        |
| Renewal Probability   | When calculating the market rates for rollover leases for a space, enter a renewal probability as needed. |
| More/Notes            | Enter non-calculated information regarding the tenant.                      |

For additional field descriptions, see the Rent Roll chapter.

**How-To**

*Display the Space Absorption window*

1. From the **Tenant** menu, select **Space Absorption**.
2. The Space Absorption window displays.
Space Information

Description:
The process for adding basic information for space absorption is very similar to the Rent Roll. However, additional information is needed for space absorption, including the total area and dates for leasing.

Practice:
1. In the Space Absorption window, click Insert.
2. In the Space Description field, enter a description for the line entry.
3. Click the Lease Type drop-down arrow, and then click the appropriate type.
4. Click the Lease Status drop-down arrow, and then click the appropriate status. The default entry for the field is Speculative.
5. In the Total Area field, enter the total measurement for the line entry. This entry will be divided into smaller leases, as needed.
6. In the Date Available field, enter the date when the total area is first vacant.
7. In the Begin Leasing field, enter the projected date when the first lease would begin.

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Space Description</td>
<td>Vacant Space</td>
</tr>
<tr>
<td>Lease Type</td>
<td>Office</td>
</tr>
<tr>
<td>Lease Status</td>
<td>Speculative</td>
</tr>
<tr>
<td>Total Area</td>
<td>227,840 SqFt.</td>
</tr>
<tr>
<td>Date Available</td>
<td>7/08</td>
</tr>
<tr>
<td>Begin Leasing</td>
<td>8/08</td>
</tr>
</tbody>
</table>
Absorption Parameters

Description:
With space absorption, several parameters are needed to determine how many leases to create and how often to create the leases.

Practice:
1. In the #/Size Leases field, specify how the total area will be divided. Enter a number of leases to create, or enter a fixed measurement for each lease.
2. Click the Create Leases drop-down arrow, and then click the appropriate option to stagger the lease start dates. The stagger frequency will occur from the date in the Begin Leasing field.
3. In the Term/Expire field, specify the length for the leases.

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>#/Size Leases</td>
<td>12 leases</td>
</tr>
<tr>
<td>Create Leases</td>
<td>Monthly</td>
</tr>
<tr>
<td>Term/Expire</td>
<td>5</td>
</tr>
</tbody>
</table>

Projection Lease Terms

Description:
The rent for each lease is determined in the Base/Min Rent field. If prospective tenants are not known at the time of projection, rents should be calculated from the market rates for the line entry. The market rates are calculated from the Market Leasing Assumption associated with the line entry. Other lease terms, such as reimbursements, rent abatements and leasing costs are specified using methods similar to inputs previously described on the Rent Roll and Market Leasing Assumptions.
**Practice:**

1. In the **Base/Min Rent** field, enter a number for the rental rate or a percentage of the market rent to be calculated. **Note:** *If this field is left blank, the system will calculate 100% of the market rate as the base rent.*
2. Click the **Unit of Measure** drop-down arrow, and then click the appropriate unit of measure for the Base/Min rent entered.
3. Click the **Reimbursements** drop-down arrow, and choose the appropriate category, enter a reimbursement Amount or Stop, or click **Detail** to create a **Detailed Reimbursement Method**.
4. In the **Rent Abatements** field, enter the number of months free rent or click the **Detail** button to create a free rent category.
5. In the **Leasing Costs** field, click the drop-down arrow and select **Yes** to enter **Tenant Improvements** and **Leasing Commissions**.
6. In the **Market Leasing** assumptions field, click the drop-down arrow and choose the appropriate Market Leasing Assumptions category, or click **Detail** to create a new one.
7. In the **Upon Expiration** field, click the drop-down arrow and choose the appropriate renewal assumption or click **Detail** to create an **Intelligent Renewal** category.

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base/Min Rent</td>
<td>100%</td>
</tr>
<tr>
<td>Unit of Measure</td>
<td>% Market</td>
</tr>
<tr>
<td>Reimbursements</td>
<td>Base Stop</td>
</tr>
<tr>
<td>Rent Abatements</td>
<td>2 Months</td>
</tr>
<tr>
<td>Tenant Improvements</td>
<td>$25.00/SqFt.</td>
</tr>
<tr>
<td>Leasing Commissions</td>
<td>“100pct Mo 1 + 2pct”</td>
</tr>
<tr>
<td>Market Leasing</td>
<td>Market</td>
</tr>
</tbody>
</table>

8. Click **Close**.
Additional Information

Description:
The remaining fields are mirrored from the Rent Roll window. Entries in these fields will be applied to all leases created from the line entry.

As described in the Rent Roll chapter, categories may be created for these fields.

How-To

Entry additional Space Absorption information:
1. Enter the needed information to complete the line entry.
2. Repeat all steps to add additional line entries as needed.
3. Click Close to save the information and close the Space Absorption window.

Chapter Summary:
This chapter explained how to lease vacant space in the Space Absorption window including specifying the available area and dates, determining the number of leases, creating staggered start dates, and specifying base rent for projections.
Chapter 8
Property Purchase and Resale

Objectives
Once the Rent Roll and Space Absorption have been populated, a property resale method should be selected to complete the cash flow projection for the holding period.

A property purchase price may be entered to calculate IRR and cash-on-cash returns for the investment. This section addresses how the property purchase and resale data are entered.

Material covered in this chapter includes descriptive information about the Property Purchase options, including Initial Amount, Current Value and Modified Internal Rate of Return. As well as information regarding resale methods, including calculation options, terminal capitalization rate and capitalization rate matrix.

- Property Purchase
- Property Resale

Property Purchase

Description:
The Property Purchase window is comprised of two sections: Property Purchase Price and Current Value for internal rate of return (IRR) calculations.

The Property Purchase Price section allows the entry of a simple purchase price or a detailed purchase price. The calculated direct capitalized value may also be used as the purchase price.

Two fields are available in the Property Purchase Price section:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
</table>
| Initial Amount               | Enter a specific purchase price for the property. The entry should represent the amount invested at the analysis start date or throughout the analysis. Click Detail to add multiple items that contribute toward the purchase price.  
*Note: If this field is left blank, ARGUS Valuation-DCF cannot determine the internal rate of return. |
| Direct Cap Value as of Analysis Start | Select this option to use the Direct Capitalized Value as the initial purchase price. When this option is selected, ARGUS Valuation-DCF uses the calculated property value as the purchase price for the property. |
The Current Value for IRR Calculations section is located below the Property Purchase Price section. In the Current Value section, enter the information by which the internal rate of return is calculated.

Four methods are available in the Current Value for IRR Calculations section, see the following:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflate Purchase Price at</td>
<td>Select this option to determine the current value of this property by inflating the initial purchase price select this option.</td>
</tr>
<tr>
<td></td>
<td>▪ Enter the inflation rate in the field.</td>
</tr>
<tr>
<td></td>
<td>▪ Leave the field blank to use the general inflation rate.</td>
</tr>
<tr>
<td>Current Amount</td>
<td>Select this option to directly enter the current value of this property.</td>
</tr>
<tr>
<td></td>
<td>Enter the current value of the initial equity as of the reporting start date. Inflation will not be applied to this amount.</td>
</tr>
<tr>
<td>Cumulative Costs</td>
<td>To specify certain types of capital items to be accumulated as the current value, select this option, and then choose the IRR button to select the types of capital to be used. These types of capital include development costs, capital costs, tenant improvements, leasing commissions and debt interest.</td>
</tr>
<tr>
<td>Direct Capitalization Value</td>
<td>Select this option to use the calculated direct capitalized value as the initial equity in the IRR.</td>
</tr>
</tbody>
</table>

The modified internal rate of return (MIRR) is an alternative method of calculation that in some circumstances may provide a more accurate reflection than the internal rate of return. To enter the modified internal rate of return, use the MIRR button on the Property Purchase Price and Current Value window. The calculation of this rate requires the entry of a reinvestment rate and a safe rate. This rate will be reported beneath the internal rate of return, for unleveraged and leveraged cash flows.

**How-To**

*Enter a Property Purchase Price & Current Value:*

1. From the **Yield** menu, select **Property Purchase**.
2. The **Property Purchase Price & Current Value** window will appear.
3. Click the **Initial Amount** field, and enter **$500,000,000**.
3. Click **OK** to save the Property Purchase Price information.

**Property Resale**

**Description:**
To calculate the resale value of a property at the end of the reporting period, a resale calculation must be set up. Within the Property Resale window, several calculation methods are available:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Resale Calculation</td>
<td>Select this option if the resale amount should not be calculated.</td>
</tr>
<tr>
<td>Directly Input Final Year Resale Amount</td>
<td>This method allows a specific resale value to be entered in the <strong>Direct Resale Amount</strong> field. Enter the total currency amount for which this property will be sold at the end of the analysis. The amount entered is not subject to inflation. The resale value will be reported only in the final year of the analysis. Internal rate of return will not be calculated for other years.</td>
</tr>
<tr>
<td>Appreciate Initial Purchase Price</td>
<td>This method increases 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.</td>
</tr>
<tr>
<td>Capitalize Net Operating Income</td>
<td>This method determines the resale value by dividing the net operating income by the specified capitalization rate.</td>
</tr>
<tr>
<td>Capitalization Cash Flow after Tenant Improvements and Leasing Commissions</td>
<td>This method determines the resale value by dividing the cash flow before debt by the specified capitalization rate. The cash flow before debt is the net operating income less tenant improvements, leasing commissions, capital expenditures, and development costs.</td>
</tr>
<tr>
<td>Capitalization CF Adjusted for Average Tenant Improvements and Leasing Commissions</td>
<td>This method determines the resale value by dividing the net operating income, less average total leasing costs and development costs, by the capitalization rate.</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Capitalize Net Operating Income Using Rate Adjusted for Age</td>
<td>This option requires an entry describing the condition of the building. With this entry, ARGUS Valuation-DCF will modify the capitalization rate to reflect the condition of the building upon resale.</td>
</tr>
<tr>
<td>Grossed Up to Stabilized Market Vacancy</td>
<td>This option, which grosses up expenses, is similar to the Capitalization Net Operating Income using Rate Adjusted for Age option. Enter the stabilized market vacancy rate and capitalization rate for the resale calculation.</td>
</tr>
</tbody>
</table>
| Capitalization Method | This option performs the property valuation using the market rent capitalization method.  

Click **Adjust** and specify one of the following:  
- Gross method: market rent includes additional revenues.  
- Net method: market rent does not include additional revenues.  

The **Adjustment to Value field** is used to enter the first adjustment in the Adjustments and Allowances section on the Resale report.  

The **Selling Costs (as percent of price)** is used to enter the selling costs as a percentage of the resale price. |
| Term and Reversion | This option performs property valuations using Term and Reversion results for every year of the analysis. These results are used as the basis for property resale value. |
Once the Resale Calculation Method is selected, information for the calculation will need to be entered.

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
</table>
| Capitalization Rate                  | Enter the terminal capitalization rate. The Capitalization Rate field is required for the following methods:  
  - Capitalize Net Operating Income  
  - Capitalization Cash Flow After Tenant Improvements and Leasing Commissions  
  - Capitalization CF Adjusted for Average Tenant Improvements and Leasing Commissions  
  - Grossed up to Stabilized Market Vacancy  
  By adding a capitalization rate, the line item of income will be capitalized. This will determine the resale amount. |
| Resale Adjustment as a Percent of Price | Resale adjustments are deducted from the gross proceeds from sale. Resale adjustments may include closing costs, broker fees and other fees associated with the sale of a property. Enter a fixed rate or click **Detail** to enter line items for the adjustment. |
| Apply Rate to following year income  | This checkbox determines the year of income from which resale is calculated. When checked, the income of the year following the resale year will be capitalized. The entry is checked by default. |
| Calculate Resale for All Years       | When selected, ARGUS Valuation-DCF projects the resale value of the property for each year in the analysis. The internal rate of return will also be shown for each year of the analysis, based on the respective resale value. |
| Matrix                               | Click **Matrix** to enter a resale capitalization rate matrix range. Enter a low rate, a high rate and the increment at which to calculate the capitalization rates. By setting up this window, a report will display the resale value and present value for all capitalization rates in the matrix.  
  The Matrix option is available with the following Resale Calculation methods:  
  - Directly Input Final Year Resale  
  - Appreciation Purchase Price  
  - Capitalize Net Operating Income  
  - Capitalize Cash Flow after Tenant Improvements & Leasing Commissions  
  - Capitalize Cash Flow for avg. Tenant Improvements & Leasing Commissions  
  - Capitalize Net Operating using Rate adjusted for age  
  - Grossed up to Stabilized Market Vacancy  
  - Capitalization Method |
**Practice:**

1. From the **Yield** menu, select **Property Resale**.
2. The **Property Resale** window will appear.
3. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option for Resale Calculation</td>
<td>Capitalize Net Operating Income</td>
</tr>
<tr>
<td>Capitalization Rate</td>
<td>6.25%</td>
</tr>
<tr>
<td>Resale Adjustment as a Percent of Price</td>
<td>1.5%</td>
</tr>
<tr>
<td>Apply Rate to following year income</td>
<td>Checked</td>
</tr>
<tr>
<td>Calculate Resale for All Years</td>
<td>Checked</td>
</tr>
</tbody>
</table>

4. Click **OK**.

**Chapter Summary:**

The Property Purchase Price and the Property Resale windows produce significant reports for the property. Within these windows, enter a purchase price, resale calculation method, and capitalization rate. The calculation results provide internal rates of return and resale values.
Chapter 9
Direct Capitalization and Present Value

Objectives

Present Value Discounting and the Direct Capitalization assist ARGUS Valuation-DCF in calculating a present value. This section will cover the following:

- Direct Capitalization
- Present Value Discounting

Direct Capitalization

Description:
Direct Capitalization determines the value of a property by directly capitalizing the first year of the reporting period.

The Direct Capitalization window includes the following fields:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalization Period</td>
<td>Select the period to be capitalized. The following options are available:</td>
</tr>
<tr>
<td></td>
<td>- <strong>Year One</strong>: Capitalize the first year of the reporting period. The results of this capitalization will differ from the First 12 Months option only if the property has stub timing.</td>
</tr>
<tr>
<td></td>
<td>- <strong>Year Starting Month</strong>: Capitalize 12 months of the reporting period starting at a specified month. Enter the month number of the analysis in which capitalization should begin.</td>
</tr>
<tr>
<td></td>
<td>- <strong>First 12 Months</strong>: Select this option to capitalize the first 12 months of the reporting period.</td>
</tr>
<tr>
<td>Cash Flow to Capitalize</td>
<td>Select the cash flow item that should be capitalized. The following options are available:</td>
</tr>
<tr>
<td></td>
<td>- <strong>No Capitalization Calculation</strong></td>
</tr>
<tr>
<td></td>
<td>- <strong>Net Operating Income</strong></td>
</tr>
<tr>
<td></td>
<td>- <strong>Net Operating Income less Capital Costs</strong> (subtracts the leasing and capital costs from the net operating income)</td>
</tr>
<tr>
<td></td>
<td>- <strong>Net Operating Income at Stabilized Market Vacancy</strong> (applies a stabilized market vacancy for the calculation)</td>
</tr>
</tbody>
</table>
**Stabilized Market Vacancy**
Enter the vacancy rate for the calculation. This field is only available when the Net Operating Income at Stabilized Market Vacancy method is selected.

**Capitalization Rate**
Enter the capitalization rate for the calculation.

**Commission as a Percent of Value**
Enter the percentage to use for the commission calculation. The entry may be a simple percentage, or click **Detail** to enter multiple percentages.

**Practice:**

1. From the **Yield** menu, select **Direct Capitalization**.
2. Entering the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalization Period</td>
<td>Year One</td>
</tr>
<tr>
<td>Cash Flow to Capitalize</td>
<td>Net Operating Income</td>
</tr>
<tr>
<td>Capitalization Rate</td>
<td>6%</td>
</tr>
<tr>
<td>Commission as a Percent of Value</td>
<td>0%</td>
</tr>
</tbody>
</table>

3. Click **OK**.
Present Value Discounting

Description:
If a particular internal rate of return (IRR) is desired, enter this target rate as the discount rate in the Present Value Discounting window.

With this calculation, all years of the cash flows are discounted by the entered rate. These results are added together to find the absolute property value at the time of purchase. The Present Value may be used to determine the maximum purchase price in order to achieve the desired IRR.

In the Present Value Discounting window, enter the primary discount rate, range of rates and discount method for the calculation.

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Discount Rate</td>
<td>Enter the target IRR for the project resale.</td>
</tr>
<tr>
<td>Discount Rate Range</td>
<td>Two fields are available in this section:</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Number of Rates</strong>: Enter the total number of IRR rates to be calculated. The target IRR will be shown as the middle rate.</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Increment Between Rates</strong>: Enter the increment that determines the difference between each discount rate being calculated.</td>
</tr>
<tr>
<td>Discount Method</td>
<td>Select how the calculations will be done:</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Annually (End-Point on Cash Flow and Resale)</strong>: This default method discounts all cash flows from end of each year to the reporting start date. The resale proceeds are discounted back to the reporting start date from the end of the holding period.</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Annually (Mid-Point on Cash Flow and Resale)</strong>: This method discounts all cash flows from the middle of each year to the reporting start date. The cash flow for Year 1 will be discounted six months if the first year is a full 12 months. The resale proceeds are discounted back to the reporting start date from the middle of the resale year.</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Annually (Mid-Point on CF/End-point on Resale)</strong>: This method uses midpoint discounting for the cash flow as described above. However, the resale proceeds are discounted back to the reporting start date from the end of the resale year.</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Quarterly</strong>: This method discounts all cash flows from the end of each quarter to the reporting start date. The resale proceeds are discounted back to the reporting start date from the end of the resale quarter.</td>
</tr>
</tbody>
</table>
- **Monthly (Effective Rate):** This method discounts all cash flows from the end of each month to the reporting start date using the effective monthly discount rate. The resale proceeds are discounted back to the reporting start date from the end of the resale month.
- **Monthly (Nominal Rate):** This method discounts all cash flows from the end of each month to the reporting start date. Monthly present values will be calculated by dividing the discount rate entry by 12. The resale proceeds are discounted back to the reporting 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. The resale proceeds are discounted back to the reporting start date from the end of the resale month.

**Practice:**

1. From the **Yield** menu, select **Present Value Discounting**.
2. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Discount Rate</td>
<td>10%</td>
</tr>
<tr>
<td>Discount Rate Range</td>
<td>Number of Rates: 5</td>
</tr>
<tr>
<td></td>
<td>Increment Between Rates: 0.5</td>
</tr>
<tr>
<td>Discount Method</td>
<td>Annually (Endpoint on Cash Flow and Resale)</td>
</tr>
</tbody>
</table>

![Present Value Discounting Window](image)

*Endpoint assumes cash flows and property resale occur at the end of each period. Midpoint assumes they are received in the middle of the period.*
3. Click OK to close window.

**Chapter Summary:**

This section covered the Present Value Discounting and Direct Capitalization portions of the Yield menu.
Chapter 10
Debt Financing and Partnerships

Objectives
ARGUS Valuation-DCF allows the entry of debt and equity sources for a property. This chapter will discuss the various items addressed in the Debt Financing and Partnership windows, including:

- Displaying Debt
- Debt Name and Currency
- Debt Note Dates
- Debt Note Term Length
- Debt Amounts
- Interest Rates
- Advanced Debt Options
- Partner Equity Contributions
- Cash Flow Distributions
- Resale Distributions

Displaying Debt

Description:
The Debt Financing windows define the debt structure for the property. The following fields are available when creating a basic debt note:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note Name</td>
<td>Enter a name for the debt note.</td>
</tr>
<tr>
<td>Input Currency</td>
<td>Select the currency in which the note is obtained.</td>
</tr>
<tr>
<td>Start Date</td>
<td>Enter the date when the note was assumed.</td>
</tr>
<tr>
<td>Checkbox for Amortize Start</td>
<td>Check the Amortize checkbox to calculate principal payments for the debt note. Uncheck the Amortize checkbox to calculate an interest-only debt note.</td>
</tr>
<tr>
<td>Amortize Start</td>
<td>Enter a date to start the calculation for the principal payments. Leave this field blank to assume the same date in the Start Date field.</td>
</tr>
<tr>
<td>Note Length (this field is not labeled)</td>
<td>Choose the length of the debt note. The options for this field include the following:</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>▪ <strong>Term Length</strong> – Enter the number of years for the debt note.</td>
<td></td>
</tr>
<tr>
<td>▪ <strong>Maturity Date</strong> – Enter the end date of the debt note.</td>
<td></td>
</tr>
<tr>
<td>▪ <strong>Payment</strong> – Enter the amount of the note payment; the payment amount is applied each month.</td>
<td></td>
</tr>
<tr>
<td>▪ <strong>Loan Constant</strong> – Enter the percentage of the original principal balance to pay the lender each year.</td>
<td></td>
</tr>
<tr>
<td>▪ <strong>Principal Payment</strong> – Enter the principal payment for each period of the debt note.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note Type (this field is not labeled)</th>
<th>Choose the type of debt note to calculate. The options for this field include the following:</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ <strong>Amount</strong> – Enter the monetary amount of the debt note.</td>
<td></td>
</tr>
<tr>
<td>▪ <strong>Coverage Ratio</strong> – Calculate the amount of the debt note based on the available cash flow.</td>
<td></td>
</tr>
<tr>
<td>▪ <strong>Loan to Value Ratio</strong> – Calculate the amount of the debt note based on current value of the property.</td>
<td></td>
</tr>
<tr>
<td>▪ <strong>% of Price or PV (Present Value)</strong> – Calculate the amount of the debt note based on a percentage of the current value of the property.</td>
<td></td>
</tr>
<tr>
<td>▪ <strong>Prior Balloon</strong> – This debt note funds the amount of another ballooning debt note.</td>
<td></td>
</tr>
<tr>
<td>▪ <strong>% of Line</strong> – Calculate the principal balance of the debt note based on another line in the analysis.</td>
<td></td>
</tr>
</tbody>
</table>

| Rate Charged | Enter the interest rate for the debt note. |
| Early Funding | Only available when funding prior balloon notes. |

| Calculate this Note | Check the Calculate checkbox to calculate the debt note when running reports for the analysis. Uncheck the Calculate checkbox to ignore the debt note when running reports for the analysis. |
How-To

Display the Debt Financing Category window:
1. From the Yield menu, select Debt Financing.
2. The Debt Financing category window displays.

3. Proceed to the next topic to add a debt note.

Debt Name and Currency

Description:
Use specific names for each debt note for easy distinction. Specify the currency in which the debt financing is obtained.

Practice:
1. In the Debt Financing category window, click New. The Debt Financing window displays.
2. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note Name</td>
<td>Purchase Mortgage</td>
</tr>
<tr>
<td>Input Currency</td>
<td>Input</td>
</tr>
</tbody>
</table>
Debt Note Dates

Description:
The Start Date field determines when financing is available for the analysis. The Amortize Start field determines when principal payments begin.

How-To

*Enter the Start Date information:*
1. In the **Start Date** field, enter the start date for financing. Leave this field blank to assume the analysis start date for the financing start date.
2. In the **Amortize Start** field, enter the beginning date for principal payments. Leave this field blank to assume the same date as the note start date.
3. Proceed to the next topic to add more information for the debt note.
Debt Note Term Length

Description:
The length of the debt note is determined by the selection from the Note Length drop-down field. This field is not labeled.

Practice:
1. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term Length</td>
<td>20</td>
</tr>
</tbody>
</table>

2. Proceed to the next topic to add more information for the debt note.

Debt Amounts

Description:
The debt note type is determined by the selection from the Note Type drop-down field. This field is not labeled.
Practice:

1. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Price or PV (select from the Amount drop-down menu)</td>
<td>70</td>
</tr>
</tbody>
</table>

2. Proceed to the next topic to add more information for the debt note.

Interest Rates

Description:
The debt financing interest rate is entered in the Rate Charged field. The entry may be a fixed rate or a detailed rate. Detailed rates can also be linked to Global Interest Rate categories (e.g. LIBOR).

Practice:
To enter a fixed interest rate:

1. Enter the following information:

<table>
<thead>
<tr>
<th>Field</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Charged</td>
<td>6%</td>
</tr>
</tbody>
</table>
2. Proceed to the next topic to add more information for the debt note.

How-To

*Enter a changing interest rate:*

1. Click the **Rate Charged** drop-down arrow, and then click **Detail**. The Detailed Rate Charged window displays.
2. In the **Date** field, enter the date when the interest rate is calculated. The date may be entered as a year/month date or a month number within the debt financing schedule.
3. In the **Rate** field, enter the interest rate amount to be calculated.
4. Repeat steps 2-3 to account for different interest rates being charged.
5. Click **OK** to save the detailed rates.

**Advanced Debt Options**

**Description:**

Additional data may be entered for calculating the debt note, including:

- The number of payments for the debt note that are scheduled every year.
- When the interest is calculated for the debt note.
- Additional payments for the debt note.
- Manual balloon date for the debt note.
- Prepayment penalties if the note is repaid prior to the entered note length.
- Points or fees to the debt note.
How-To

Enter additional data for the debt note:

1. In the Debt Financing window, click Advanced. The Advanced Debt window displays.

2. Click OK or Cancel to exit the Advanced Debt window.
3. Click OK to save the Debt Note. The Debt Financing category window displays.
4. Click Close to return to the Executive Dashboard.

Partner Equity Contributions

Description:

Partners may exist for a project. Any contributions made by partners may be accounted for in the Partner Equity Contribution window. Contributions may include cash, non-cash (such as land contribution) or a contribution for escrow. When partners are added in the contribution window, distributions from the cash flow and sale of the property may be added.

How-To

Add Partner Equity Contributions:

1. From the Yield menu, select Partner Equity Contributions. The Partner Equity Contributions window displays.
2. Click Insert for each partner to add.
3. Enter the appropriate information. This process is similar to the revenues and expenses process.
4. Click the Type drop-down arrow and click the appropriate contribution type.
5. Click Close to save the partners.
Cash Flow Distributions

Description:
The Cash Flow Distribution window determines how cash is distributed to partners as a property generates enough cash flow for such a distribution. These distributions may only be set up once the partnerships have been created.

How-To

Enter Cash Flow Distributions:
1. From the Yield menu, select Cash Flow Distributions. The Cash Flow Distributions window displays.
2. Click Insert for each level of distribution.
3. Specify the terms for the distribution.
4. Click Close to save the distributions from the cash flow.

Resale Distributions

Description:
The Resale Distribution window determines how cash is distributed to partners upon the sale of the property at the end of the analysis. These distributions may only be set up once the partnerships have been created.

How-To

Enter Resale Distributions:
1. From the Yield menu, select Resale Distributions. The Resale Distributions window displays.
2. Click Insert for each level of distribution.
3. Specify the terms for the distribution.
4. Click Close to save the distributions from the sale of the project.

Chapter Summary:
ARGUS Valuation-DCF allows the entry of debt and equity sources for a property. This chapter discussed the various items addressed in the Debt Financing and Partnership windows, including displaying the debt windows, name and currency for debt notes, interest rates for debt notes, advanced debt options, partner equity contributions, and cash flow and resale distributions for Partners.
Chapter 11
Depreciation and Taxes

Objectives
The Depreciation and Taxes window controls the depreciation of various items and determine the tax rate for a property. This chapter will cover how to input descriptive information regarding the input of simple or detailed depreciation methods and the depreciation methods available. In addition, this will cover how to input tax rates for Ordinary Income, Depreciation Recapture, and Capital Gains.

Depreciation and Taxes

Description:
The Depreciation and Taxes window controls depreciation of various items and determine the tax rate for a property. The depreciation and tax data affects ARGUS Valuation-DCF reports, including the Depreciation Schedule and Income Statement.

Options in the Depreciation and Taxes window are as follows:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>The Name column lists the items that can be depreciated. The following items may be depreciated:</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Property</strong>: Depreciate the purchase price over the life of the analysis from the Property Purchase Price window. If a purchase price is not entered, ARGUS Valuation-DCF uses the most conservative present value amount for this calculation.</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Capital Expenditures</strong>: Depreciate the line items in the Capital Expenditures property level window.</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Land Costs, Hard Costs, Soft Costs</strong>: Depreciate the development costs for the project. These costs are primarily for construction of a new property or the expansion of an existing property.</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Debt Interest</strong>: This line amortizes the interest on any debts available.</td>
</tr>
<tr>
<td></td>
<td>▪ <strong>Leasing Commissions, Tenant Improvements</strong>: These lines use the leasing costs from the Rent Roll, Space Absorption or Market Leasing Assumption windows. The leasing costs are added together and the total amount is depreciated.</td>
</tr>
</tbody>
</table>
| Simple/Detail | The selection in the Simple/Detail column determines the items that will be used for the depreciation.  
  - Click **Detail** to select different depreciation treatments for each component of a detailed purchase price.  
  - Click **Detail** to enter depreciation and taxes for items with multiple lines of entry.  
  * **Note:** Details cannot be entered for Leasing Commissions and Tenant Improvements. |
|-------------|--------------------------------------------------------------------------------------------------|
| Method      | This field contains a list of available depreciation methods. The following options are available:  
  - **None:** Depreciation is not applied to the item.  
  - **Expense:** The 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 option divides the cost of a tangible asset by the asset’s useful life.  
  - **Amortization:** This option divides the cost of a non-tangible asset by the asset’s useful life. Non-tangible assets include capital investments such as architect’s fees.  
  - **Double Declining:** This option doubles the results of the Straight Line method.  
  - **Capitalize:** ARGUS Valuation-DCF adds the amount of the line item to the Property line item and depreciates it at that rate. If detailed depreciation is entered for the Property line item, the capitalized item uses the first depreciation method found for the Purchase Price line items.  
  - Click **Detail** to enter a detailed depreciation schedule. |
| Useful Life | Enter the number of years to depreciate the asset. This number will vary with different types of properties or expenses. |
| Amount – Basis | Select one of the following options on which to base the depreciation and tax calculation:  
  - **Use Input:** Use the entry in the **Name** field as the basis for the depreciation calculation.  
  - **Simple:** Enter a simple currency amount as the basis for depreciation.  
  - **Detail:** This selection displays a window where a month by month basis for the depreciation may be entered. |
| Ordinary Income Tax Rate | Enter the ordinary income tax rate to generate the income after taxes and depreciation. |
| Capital Gains Tax Rate | Enter the capital gains tax rate for the analysis to determine the capital gains taxes to be paid upon resale. |
| Depreciation Recapture Tax Rate | Enter the depreciation recapture tax rate for the analysis to calculate capital gains recapture scenarios. |
How-To

*Enter Depreciation and Tax information:*
1. From the **Yield** menu, select **Depreciation and Taxes**.
2. Enter the desired Depreciation and Taxes information.
3. Click **OK** to save the information. Results from this window may be viewed in the Depreciation & Taxes report.

![Depreciation & Taxes window]

Chapter Summary:
The Depreciation and Taxes window designates selects items to be depreciated. The tax rate for the property is also determined in this window.
Chapter 12
Reports

Objectives

This chapter will describe the various reports and reporting tools available in ARGUS Valuation-DCF, including:

- Property Level Reports
- Depreciation and Taxes Reports
- Partner Distribution Reports
- Tracking Reports
- Presentation Rent Roll Report
- Individual Tenant Reports
- Market Leasing Reports
- Supporting Schedules Reports
- Stacking Plan
- Reporting Tools
- Report Writer

*All reports are available from the Reports menu.

Property Level Reports

Description:

The Property Level Reports shows various reports based on the entered data. The reports are only available when information has been entered. The Property Level Reports include the following:

<table>
<thead>
<tr>
<th>Report</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schedule of Cash Flow from Operations</td>
<td>This report displays the operations for the duration of the analysis beginning with the Reporting Start Date. Individual line items for revenues and expenses are grouped together by category.</td>
</tr>
<tr>
<td>Schedule of Expense Reimbursement Revenue</td>
<td>This report calculates all fiscal year reimbursable operating expenses. The numbers are reported by expenses, by reimbursements from the tenants, and by the percentage of operating expenses being collected.</td>
</tr>
<tr>
<td>Individual Loan &amp; Debt Service Summary</td>
<td>This report contains all of the debt note information and various ratios. Separate reports will be calculated for each debt note.</td>
</tr>
<tr>
<td>Sources &amp; Uses of Capital – Cash Returns</td>
<td>This report describes the inflow and outflow of funds to the property.</td>
</tr>
</tbody>
</table>
Prospective Resale & IRR Summary

When a resale method is entered, this report shows the results of the resale calculation. The Internal Rate of Return Summary results will display only when property purchase information is entered.

Direct Capitalization Value Summary

This report calculates the value of a property by directly capitalizing a specified year for the property.

Prospective Present Value Summary

This report calculates the current value of a property when targeting a specific Internal Rate of Return (IRR) to achieve at resale.

Property Summary Report

Blocks of property data is reported, based on the data entry including:

- Timing and Inflation
- Property Size and Occupancy
- General Vacancy
- Credit and Collection Loss
- Debt Financing
- Property Purchase and Resale
- Present Value Discounting

How-To

Access the Property Level Reports window:

1. From the Reports menu, select Property Level. The Property Level Reports window displays.
2. Select the appropriate report checkboxes.
3. Click View. The View Reports window displays.
## Schedule of Prospective Cash Flow Report

### In Inflated Dollars for the Fiscal Year Beginning 7/1/2008

<table>
<thead>
<tr>
<th>Year Ending</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></td>
<td>Jun-09</td>
<td>Jun-10</td>
<td>Jun-11</td>
<td>Jun-12</td>
<td>Jun-13</td>
</tr>
<tr>
<td><strong>Potential Gross Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Rental Revenue</td>
<td>$58,526,357</td>
<td>$58,571,965</td>
<td>$58,571,964</td>
<td>$58,571,964</td>
<td>$58,571,964</td>
</tr>
<tr>
<td>Absorptions &amp; Turnover Vacancy</td>
<td>(14,803,600)</td>
<td>(14,803,600)</td>
<td>(14,803,600)</td>
<td>(14,803,600)</td>
<td>(14,803,600)</td>
</tr>
<tr>
<td>Basic Rent Abatement</td>
<td>(3,967,197)</td>
<td>(3,967,197)</td>
<td>(3,967,197)</td>
<td>(3,967,197)</td>
<td>(3,967,197)</td>
</tr>
</tbody>
</table>

<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></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scheduled Basic Rental Revenue</td>
<td>32,729,000</td>
<td>57,394,710</td>
<td>58,571,964</td>
<td>58,571,964</td>
<td>58,571,964</td>
</tr>
<tr>
<td>Expense Reimbursement Revenue</td>
<td>289,335</td>
<td>370,167</td>
<td>451,235</td>
<td>512,171</td>
<td>568,683</td>
</tr>
<tr>
<td>Tenant Services</td>
<td>2,935,946</td>
<td>2,935,946</td>
<td>2,935,946</td>
<td>2,935,946</td>
<td>2,935,946</td>
</tr>
<tr>
<td>Administration Fees</td>
<td>800,000</td>
<td>912,000</td>
<td>824,240</td>
<td>838,725</td>
<td>848,459</td>
</tr>
<tr>
<td>Vending Machines</td>
<td>178,270</td>
<td>244,990</td>
<td>246,796</td>
<td>254,690</td>
<td>253,704</td>
</tr>
</tbody>
</table>

| Total Potential Gross Revenue | 42,984,235 | 62,206,500 | 62,941,876 | 63,080,384 | 63,307,408 |

<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></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General &amp; Vacancy</td>
<td>(1,244,132)</td>
<td>(1,244,132)</td>
<td>(1,244,132)</td>
<td>(1,244,132)</td>
<td>(1,244,132)</td>
</tr>
<tr>
<td>Collection Loss</td>
<td>(214,927)</td>
<td>(311,053)</td>
<td>(314,708)</td>
<td>(315,405)</td>
<td>(316,009)</td>
</tr>
</tbody>
</table>

| Effective Gross Revenue | 42,794,374 | 60,865,453 | 61,691,316 | 61,835,979 | 61,990,909 |

<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></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>3,964,532</td>
<td>4,179,785</td>
<td>4,262,361</td>
<td>4,347,808</td>
<td>4,434,580</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>1,124,030</td>
<td>1,234,000</td>
<td>1,248,460</td>
<td>1,273,480</td>
<td>1,298,919</td>
</tr>
<tr>
<td>Janitorial</td>
<td>504,320</td>
<td>740,212</td>
<td>780,136</td>
<td>765,352</td>
<td>795,886</td>
</tr>
<tr>
<td>Other Expense</td>
<td>240,020</td>
<td>244,800</td>
<td>248,816</td>
<td>254,580</td>
<td>258,683</td>
</tr>
<tr>
<td>Land &amp; Property Taxes</td>
<td>2,750,000</td>
<td>2,763,780</td>
<td>2,777,663</td>
<td>2,791,457</td>
<td>2,805,414</td>
</tr>
<tr>
<td>Insurance</td>
<td>300,000</td>
<td>357,000</td>
<td>394,140</td>
<td>371,423</td>
<td>376,891</td>
</tr>
<tr>
<td>Management Fees</td>
<td>1,486,538</td>
<td>2,122,800</td>
<td>2,147,885</td>
<td>2,162,838</td>
<td>2,156,953</td>
</tr>
</tbody>
</table>

| Total Operating Expenses | 9,988,776 | 11,537,347 | 11,811,267 | 11,867,628 | 12,126,387 |

<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></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Operating Income</strong></td>
<td>32,805,559</td>
<td>49,044,051</td>
<td>49,557,562</td>
<td>49,526,352</td>
<td>49,500,867</td>
</tr>
</tbody>
</table>

<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></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Debt Service</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Payments</td>
<td>20,745,809</td>
<td>20,159,473</td>
<td>19,557,590</td>
<td>18,807,983</td>
<td>18,210,279</td>
</tr>
<tr>
<td>Principal Payments</td>
<td>5,344,036</td>
<td>5,096,622</td>
<td>10,525,914</td>
<td>11,102,137</td>
<td>11,671,627</td>
</tr>
</tbody>
</table>

| Total Debt Service | 30,090,005 | 30,256,095 | 30,083,504 | 30,930,120 | 30,881,906 |

<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></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Leasing &amp; Capital Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenant Improvements</td>
<td>5,221,358</td>
<td>4,745,567</td>
<td>4,745,567</td>
<td>4,745,567</td>
<td>4,745,567</td>
</tr>
<tr>
<td>Leasing Commissions</td>
<td>4,555,592</td>
<td>4,221,816</td>
<td>4,221,816</td>
<td>4,221,816</td>
<td>4,221,816</td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>5,000,000</td>
<td>5,000,000</td>
<td>5,000,000</td>
<td>5,000,000</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Replacement Reserves</td>
<td>731,550</td>
<td>740,212</td>
<td>761,136</td>
<td>775,395</td>
<td>791,886</td>
</tr>
</tbody>
</table>

| Total Leasing & Capital Costs | 10,555,051 | 6,743,067 | 6,761,136 | 6,816,535 | 6,928,886 |

<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></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash Flow After Debt Service</strong></td>
<td>(37,726,421)</td>
<td>(12,190,919)</td>
<td>(16,705,528)</td>
<td>(18,669,886)</td>
<td>(18,618,886)</td>
</tr>
</tbody>
</table>

<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></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Before Taxes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Each selected report displays in the window. Click the report tabs across the bottom of the screen to view the different reports.

5. Click Close.
### Depreciation and Taxes Reports

**Description:**

These reports provide specific information on depreciation and taxes. Two reports are available in this window:

<table>
<thead>
<tr>
<th>Report</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Statement</td>
<td>This report is similar to the Cash Flow report. However, this report includes depreciated amounts for several items instead of the total expense of the item. This report also shows taxable income and income after taxes.</td>
</tr>
<tr>
<td>Depreciation Schedule</td>
<td>This report lists the line items from the Depreciation and Taxes window.</td>
</tr>
</tbody>
</table>

**How-To**

*Access the Depreciation & Taxes Reports window:*

1. From the **Reports** menu, select **Depreciation & Taxes**. The Depreciation & Taxes window displays.
2. Select the appropriate report checkboxes.
3. Click **View**. The View Reports window displays.
4. Each selected report displays in the window. Click the report tabs to view the different reports.
5. Click **Close** when done with the reports.

### Partner Distribution Reports

**Description:**

The Partner Distribution reports provide specific information for individual partners for the project. Three reports are available in Partner Distribution:

<table>
<thead>
<tr>
<th>Report</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flow &amp; Summary</td>
<td>This report displays several items that are related to tracking the cash flow contributions and disbursements from partners.</td>
</tr>
<tr>
<td>Partner Returns</td>
<td>This report shows the cash that was returned to partners and the time at which it was returned.</td>
</tr>
<tr>
<td>Present Value</td>
<td>This report is similar to the Present Value report. This report relates the following items to partner cash flow and distribution:</td>
</tr>
<tr>
<td></td>
<td>- Annual Cash Flow</td>
</tr>
<tr>
<td></td>
<td>- Present Value of Cash Flow @ Percentage Rate</td>
</tr>
<tr>
<td></td>
<td>- Total Cash Flow</td>
</tr>
<tr>
<td></td>
<td>- Total Property Present Value</td>
</tr>
<tr>
<td></td>
<td>- Per Measurement</td>
</tr>
</tbody>
</table>
How-To

Access the Partner Distributions Reports window:
1. From the Reports menu, select Partner Distributions. The Partner Reports window displays.
2. Select the appropriate partners.
3. Select the appropriate report.
4. Click View. The View Reports window displays.
5. Each selected partner report displays in the window. Click the report tabs to view the different reports.
6. Click Close when done with the report.

Tracking Reports

Description:
The Tracking reports show information to assist with auditing. Several reports are available, including:

<table>
<thead>
<tr>
<th>Report</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Tracking</td>
<td>This report shows the monthly or annual totals for previous balance, contributions, distributions, interest and escrow balance.</td>
</tr>
<tr>
<td>Loss Tracking</td>
<td>This report shows the breakdown of when General Vacancy or Collection Loss is calculated.</td>
</tr>
<tr>
<td>IRR Tracking</td>
<td>This report tracks the components used to calculate leveraged and unleveraged Internal Rate of Return.</td>
</tr>
<tr>
<td>Development Cost</td>
<td>This report tracks development costs incurred during a specified time as well as cumulative totals of the costs.</td>
</tr>
<tr>
<td>Parking Tracking</td>
<td>This report shows the parking revenue for individual tenants and tenant groups.</td>
</tr>
<tr>
<td>Security Deposit Tracking</td>
<td>This report shows the investment revenue earned from security deposits.</td>
</tr>
<tr>
<td>Expense Group Tracking</td>
<td>This report is a breakdown of the expenses included in an expense group. It shows the totals for each expense in the group and a cumulative total for the group.</td>
</tr>
<tr>
<td>Reimbursement</td>
<td>This report is a breakdown of how the pro-rata shares of reimbursable expenses are calculated for the tenant. It also shows the calculated reimbursements for the tenant.</td>
</tr>
</tbody>
</table>

How-To

Access the Tracking Reports window:
1. From the Reports menu, select Tracking. A sub-menu displays.
2. Select the appropriate report from the sub-menu.
3. Select the appropriate report options.
4. Click View. The View Reports window displays.
5. Click Close when done with the report.
**Presentation Rent Roll Report**

**Description:**
The Presentation Rent Roll report summarizes assumptions for all leases as entered on the Rent Roll and Space Absorption windows. This report is suitable for direct inclusion in property packages, appraisal reports or property plans.

**How-To**

*Access the Rent Roll Reports window:*
1. From the *Reports* menu, select *Rent Rolls*. A sub-menu displays.
2. Click *Presentation Rent Roll*. The Presentation Rent Roll window displays.
3. Select the appropriate report options.
4. Click *View*. The View Reports window displays.
5. Click *Close* when done with the report.

**Individual Tenant Reports**

**Description:**
The Individual Tenant reports provide specific information for tenants, tenant groups or lease status for the project. These reports include the following:

<table>
<thead>
<tr>
<th>Report</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flow &amp; Summary</td>
<td>This report displays the operations for the duration of the analysis beginning with the Reporting Start Date.</td>
</tr>
<tr>
<td>Reimbursement Detail</td>
<td>This report lists the amounts that the tenant is reimbursing for all reimbursable operating expenses.</td>
</tr>
<tr>
<td>Reimbursement Detail by Expense</td>
<td>This report shows how an individual reimbursement item is being reimbursed by the tenants.</td>
</tr>
<tr>
<td>Reimbursement Tracking</td>
<td>This report is a breakdown of how the pro-rata shares of reimbursable expenses are calculated for the tenant. It also shows the calculated reimbursements for the tenant.</td>
</tr>
<tr>
<td>Lease Value Summary</td>
<td>This report discounts the cash flow for a tenant and subtracts the leasing costs to arrive at a contribution after leasing costs. The tenant’s expenses will then be subtracted to arrive at a net contribution after expenses.</td>
</tr>
<tr>
<td>Tenant Roster</td>
<td>The Tenant Roster shows data for tenants with a specified lease status.</td>
</tr>
</tbody>
</table>
How-To

Access the Individual Tenant Reports window:
1. From the Reports menu, select Individual Tenant. The Individual Tenant Reports window displays.
2. In the Reports section, click the desired report.
3. In the Tenant section, click the appropriate tenants.
4. Click View. The View Reports window displays.
5. Each selected tenant report displays in the window. Click the report tabs to view the different reports.
6. Click Close when done with the reports.

Market Leasing Reports

Description:
The Market Leasing reports calculate the market rates over the analysis period for a selected market leasing assumption. The summary report compares all market leasing assumptions for a specified year in the analysis.

How-To

Access the Market Leasing Assumptions Reports window:
2. Select the appropriate market leasing assumptions.
3. Click View. The View Reports window displays.
4. Each selected market leasing assumptions displays in the window. Click the report tabs to view the different reports.

5. Click Close when done with the reports.

Report a summary for the Market Leasing Assumptions:


2. Click Summary Report.

3. Click View. The View Reports window displays.

4. Click Close when done with the report.
Supporting Schedules Reports

Description:
The Supporting Schedules reports provide specific information for items in the property. Supporting Schedules reports assist in auditing the property.

Supporting Schedules may be viewed three ways:

<table>
<thead>
<tr>
<th>Report</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>This report will generate results in whole monetary amounts.</td>
</tr>
<tr>
<td>Per Tenant Area</td>
<td>This report will generate results in currency per measurement amounts.</td>
</tr>
<tr>
<td>User Defined</td>
<td>This report results are dependent upon the criteria entered by the user.</td>
</tr>
</tbody>
</table>

How-To
Access the Supporting Schedules Reports window:
1. From the Reports menu, select Supporting Schedules. A sub-menu displays.
2. Click the appropriate option.
3. Select the appropriate reports.
4. Click View. The View Reports window displays.
5. Each selected report displays in the window. Click the report tabs to view the different reports.
6. Click Close when done with the reports.

Stacking Plan

Description:
The Stacking Plan report allows the creation of a visual ‘snapshot’ of the tenant activity from within the ARGUS Valuation-DCF interface. Multiple stacking plan reports may be created and saved for future use in the project.

In order for this report to generate the proper results, a floor number must be entered for each tenant in the Rent Roll window.
How-To

Create a Stacking Plan report:
1. From the Reports menu, select Stacking Plan. The Stacking Plan category window displays.
2. Click New. The Stacking Plan Options window displays.
3. In the Stacking Plan field, enter a name for the report.
4. Click the Plan Date drop-down arrow, and then click the appropriate date.
5. In each tab, enter the desired information.
6. Click OK to save the category.

Run a Stacking Plan report:
1. From the Reports menu, select Stacking Plan. The Stacking Plan category window displays.
2. Click the desired report.
3. Click View. The Stacking Plan report window displays.
4. Click Close when done with the reports.

Reporting Tools

Description:
The reports may include several tools to help view the reported information. These choices include:

<table>
<thead>
<tr>
<th>Report</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graph</td>
<td>Select the numbers to include in a graph, and then click Graph.</td>
</tr>
<tr>
<td>Excel</td>
<td>Click Excel or Export to copy all reports in the window to Microsoft Excel</td>
</tr>
<tr>
<td>ClipBrd</td>
<td>Select the desired information and then click ClipBrd. The selected information may be pasted into other computer programs.</td>
</tr>
<tr>
<td>Preview</td>
<td>Click Preview to view how the reports will print.</td>
</tr>
<tr>
<td>Print</td>
<td>Click Print to print the reports.</td>
</tr>
</tbody>
</table>

How-To

Export the Executive Dashboard to Excel:
1. From the Executive Dashboard, click the Export button at the bottom of the window.
2. The Executive Dashboard will be exported to Excel automatically.
3. Return to ARGUS Valuation-DCF, and select Property Level Reports from the Reports menu.
4. Select the appropriate report checkboxes.
5. Click View. The View Reports window displays.
6. Click the Excel button at the bottom of the window.
7. The selected reports will be automatically exported to Excel. Each report will be included on a separate worksheet in the workbook.
Report Writer

Description:
The Report Writer allows the creation of custom reports. These custom reports are created through Microsoft Excel using an ARGUS add-in.

Project information may be added to the custom report from any report in ARGUS Valuation-DCF. Additional information, such as formulas, may also be added to the custom report.

How-To

Run a custom report:
2. Select a saved report and then click Report. The report opens in Microsoft Excel.
3. To return to the ARGUS Valuation-DCF file, close the custom report.
Create a custom report:
3. From the ARGUS Report Writer menu, select ARGUS Data. The ARGUS Data window displays.
4. In the Type field, select how this set of data is reported.
5. In the Report field, select the report from which this set of data is pulled.
6. In the Section field, select the part of the report from which this set of data is pulled. To report all information from the report, select Entire Report.
7. In the Item field, select the line item within the section from which this set of data is pulled. This field is available when a section from the report is selected.
8. Click Insert. The data is reported from the ARGUS Valuation-DCF file.
9. Repeat steps 4-8 to report additional information for the custom report.
10. From the File menu, select Save. Notice the file location defaults to the ARGUS file location. Enter a name for the custom report and click Save.
11. Close Microsoft Excel to return to the ARGUS Valuation-DCF file.

Chapter Summary:
Reports are helpful tools when reviewing project information, auditing information, and preparing information for presentations. Custom reports may also be created with the Report Writer.