



National Association of Residential Property Managers

Accounting Standards

## Financial Metrics Guide

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**About ProfitCoach:** We fuel entrepreneurial freedom by growing broker/owner profits through authoritative PM accounting practices & services, definitive PM finance benchmarks, real-time metrics dashboards, and PM-specialized CFO coaching.

For more information about ProfitCoach, please visit: [www.PMProfitCoach.com](http://www.PMProfitCoach.com).

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# Table of Contents

About the Authors ..... 2

Acknowledgements ..... 2

Feedback & Questions ..... 2

NARPM® Antitrust Statement..... 2

Introduction..... 4

**Part 1—Metrics ..... 5**

    Unit Economics..... 6

    Growth Metrics ..... 9

    Productivity Metrics ..... 19

    Financial Metrics..... 22

**Part 2—General Terms and Definitions ..... 24**

# Introduction

This guide is a part of the NARPM® Accounting Standards and is meant to be used in tandem with the NARPM® Accounting Standards Chart of Accounts.

The overarching purpose of the NAS is to standardize the reporting of financial performance within the residential property management industry. While the NARPM® COA standardizes financial documentation, the metrics in this guide provide a uniform set of reporting standards that focus on the key drivers of financial performance.

By adopting and referencing the metrics contained in this document, you will have a standard for making accurate relative comparisons with your fellow NARPM® members.

As you explore these metrics, you'll see that we've included references to the four-digit code groups used in the Chart of Accounts. To see the detail of what is included in any particular metric, look up the code group in the COA—the accounts are in numerical order. Codes beginning 1---, 2---, or 3--- are in the Balance Sheet section, and all other codes are in the Income Statement section.

Lastly, if you are overwhelmed by the number of metrics in this guide, we recommend starting with just a handful of metrics. We've identified seven metrics that should give you a high-level financial summary of the financial performance

of your business. Please reference the detailed overview of each of the following metrics below.

- **Revenue Per Unit (RPU)**  
How much revenue your company produces per unit.
- **Profit Per Unit (PPU)**  
How much profit your company produces per unit.
- **Unit Churn (Churn)**  
How many units you lose in a given period of time.
- **Unit Acquisition Cost (UAC)**  
How much your company spends to acquire a new unit.
- **Direct Labor Efficiency Ratio (DLER)**  
How many dollars of revenue your company produces for each dollar spent on direct labor.
- **PM Profit Margin**  
The operating profitability of the property management division of the business expressed as a percent of PM Income.
- **Facilities & Other Operating Expenses % of Revenue**  
The % of PM Income spent on the aggregate of Facilities and Other Operating Expense.

# Part 1—Metrics

**Note:** The following metrics section is divided into the four categories listed below. Note that the metrics section below references terms that are further defined in Part 2—General Terms and Definitions.

1. Unit Economics
2. Growth Metrics
3. Productivity Metrics
4. Financial Metrics

# 1. Unit Economics

The term “unit economics” refers to the direct revenues and costs associated with the most basic element of a company’s business model, and are expressed on a per unit basis.

## Revenue Per Unit (RPU)

**What it means:** Revenue Per Unit establishes the revenue contribution of each individual unit under management each month.

**Why it matters:** Revenue Per Unit provides a bird’s-eye view into the financial health of your business as determined by how effectively your company generates revenue. When it comes to revenue growth, you can either increase RPU or acquire more customers. Both drive growth, but increasing RPU will also likely impact your profit per unit which means a greater financial reward for each door under management. RPU is a key lever in defining the strength and scalability of your business model. It is particularly useful to segment your portfolio by RPU to understand how each unit is contributing to the overall health of your portfolio.

**How to calculate:** We calculate RPU by dividing the sum of one month’s Residential PM Income by the same month’s ending units.

### Formula:

$$\frac{\text{Residential PM Income (4100s)}}{\text{Ending Units}}$$

### Metric Variations

- 12-Month RPU:<sup>1</sup>

$$\frac{\text{12-Month Residential PM Income (4100s)}}{\text{Average Units (12-Month)}}$$

- RPU w/ Maintenance:

$$\frac{\text{Residential PM Income (4100s)} + \text{Maintenance Gross Margin (see definition below)}}{\text{Ending Units}}$$

- RPU w/ Brokerage:

$$\frac{\text{Residential PM Income (4100s)} + \text{PM Brokerage Gross Margin (see definition below)}}{\text{Ending Units}}$$

- RPU w/ Maintenance & Brokerage:

$$\frac{\text{Residential PM Income (4100s)} + \text{Maintenance Gross Margin (see definition below)} + \text{PM Brokerage Gross Margin (see definition below)}}{\text{Ending Units}}$$

- Occupied RPU:

$$\frac{\text{Residential PM Income (4100s)}}{\text{Occupied Units}}$$

<sup>1</sup> “12-Month” refers to any twelve-month period of time.

## Annual Unit Revenue (AUR)

**What it means:** Annual Unit Revenue establishes the revenue contribution of each individual unit each year.

**Why it matters:** AUR provides an annualized view of RPU (for more detail, see section on Revenue Per Unit).

**How to calculate:** We calculate AUR by dividing the sum of Residential PM Income for a twelve-month period by the same period's average units.

### Formula:

$$\frac{12\text{-Month Residential PM Income (4100s)}}{\text{Average Units (12-Month)}}$$

### Metric Variations

- AUR w/ Maintenance:

$$\frac{12\text{-Month Residential PM Income (4100s)} + 12\text{-Month Maintenance Gross Margin (see definition below)}}{\text{Average Units (12-Month)}}$$

- AUR w/ Brokerage:

$$\frac{12\text{-Month Residential PM Income (4100s)} + 12\text{-Month PM Brokerage Gross Margin (see definition below)}}{\text{Average Units (12-Month)}}$$

- AUR w/ Maintenance & Brokerage:

$$\frac{12\text{-Month Residential PM Income (4100s)} + 12\text{-Month Maintenance Gross Margin (see definition below)} + \text{PM Brokerage Gross Margin (see definition below)}}{\text{Average Units (12-Month)}}$$

## Profit Per Unit (PPU)

**What it means:** Profit Per Unit establishes the average profit contribution of each unit in your portfolio each month.

**Why it matters:** Profit Per Unit looks at operating profit on a per-unit basis and speaks directly to the strength of your financial model. It helps you understand the implications of modifying your cost and revenue structure by making dollar comparisons on a per-unit basis. For example, for a portfolio with 200 units operating at a revenue per unit of \$150 and profit per unit of \$15, increasing your cost structure by \$10 per unit (\$24,000 annually) lowers profitability by 66%. Conversely, adding \$10 in revenue per unit (assuming no offsetting expenses) would increase profitability by 66%. Furthermore, understanding your average PPU and RPU will help you establish a financial threshold to determine which new units are worth adding to your portfolio.

**How to calculate:** We calculate PPU by dividing one month's Residential PM Profit by the same month's ending units.

### Formula:

$$\frac{\text{Residential PM Profit (see definition below)}}{\text{Ending Units}}$$

### Metric Variations

- 12-Month PPU:

$$\frac{\text{12-Month Residential PM Profit}}{\text{Average Units (12-Month)}}$$

- PPU w/ Maintenance:

$$\frac{\text{Residential PM Profit} + \text{Maintenance Profit (see definition below)}}{\text{Ending Units}}$$

- PPU w/ Brokerage:

$$\frac{\text{Residential PM Profit} + \text{PM Brokerage Profit (see definition below)}}{\text{Ending Units}}$$

- PPU w/ Maintenance & Brokerage:

$$\frac{\text{Residential PM Profit} + \text{Maintenance Profit} + \text{PM Brokerage Profit}}{\text{Ending Units}}$$

- Occupied PPU:

$$\frac{\text{Residential PM Profit}}{\text{Occupied Units}}$$



## 2. Growth Metrics

*Metrics that gauge a company's ability to acquire and retain units under management.*

### Cost Per Lead (CPL)

**What it means:** Cost Per Lead establishes the cost associated with acquiring owner leads.

**Why it matters:** Cost Per Lead is a measure of the efficiency of your marketing campaigns. CPL impacts unit acquisition cost and should ideally be tracked for each individual lead source.

**How to calculate:** We calculate Cost Per Lead by dividing the sum of one month's New Owner Advertising by the number of owner leads generated during that month.

### Formula:

*New Owner Advertising (6200s)*

---

*Owner Leads*

## Unit Acquisition Cost (UAC)

**What it means:** Unit Acquisition Cost establishes the total cost associated with acquiring a new unit, including sales and marketing labor expenses (for example, a Business Development Manager).

**Why it matters:** Unit Acquisition Cost demonstrates the efficiency of your sales and marketing efforts as a whole. It reflects the efficiency of your marketing campaigns (cost per lead) and sales labor (close rate). Ideally, UAC should be tracked for each lead source and should be closely monitored as you increase your investments in portfolio growth. UAC has a direct impact on Unit Lifetime Profit (ULTP) and should never exceed Unit Lifetime Profit before UAC (ULTP before UAC).

**How to calculate:** We calculate Unit Acquisition Cost by dividing the sum of one month's New Owner Advertising and PM Sales & Marketing Labor by the number of units added during that month.

### Formula:

$$\frac{\begin{aligned} & \text{(New Owner Advertising (6200s)} \\ & + \text{PM Sales \& Marketing Labor (6430s)} \end{aligned}}{\text{New Units}}$$

### Metric Variations

- 12-Month UAC:

$$\frac{\begin{aligned} & \text{12-Month New Owner Advertising (6200s)} \\ & + \text{12-Month PM Sales \& Marketing Labor (6430s)} \end{aligned}}{\text{12-Month New Units}}$$

## Unit Acquisition Cost without Labor (UAC w/o Labor)

**What it means:** Unit Acquisition Cost without Labor establishes the cost associated with acquiring a new unit, excluding sales and marketing labor.

**Why it matters:** Unit Acquisition Cost without Labor specifically identifies the advertising cost associated with acquiring a new unit. Backing out sales and marketing labor clarifies the proportion of UAC being driven by new owner advertising versus sales and marketing labor.

**How to calculate:** We calculate Unit Acquisition Cost without Labor by dividing the sum of one month's New Owner Advertising by the number of units added during that month.

### Formula:

$$\frac{\text{New Owner Advertising (6200s)}}{\text{New Units}}$$

### Metric Variations

- 12-Month UAC w/o Labor:

$$\frac{\text{12-Month New Owner Advertising (6200s)}}{\text{12-Month New Units}}$$

## Unit Churn (Churn)

**What it means:** Unit churn establishes the percentage of units which have exited your portfolio within a given time period. So a 2% monthly unit churn rate means that 2% of the units in your portfolio at the beginning of the month leave your business each month.

**Why it matters:** Unit churn has a direct impact on Unit Lifetime Revenue (ULTR). For example, cutting your churn rate in half (and thereby approximately doubling your ULTR) will have a disproportionate impact on Unit Lifetime Profit (ULTP) because of the initial acquisition and service cost associated with each new unit. Unit churn is a key factor in any recurring revenue business model and it is typically driven by customer satisfaction and movement in the real estate sales market. Segmenting your churn into good, neutral, and bad (see below) provides insight into the specific factors driving your churn.

**How to calculate:** We calculate Unit Churn by dividing the number of units churned in one month by the same month's beginning units. Note: "Churned Units" is different than Lost Units and refers specifically to the units that were present in your portfolio at the beginning of a given time period and were subsequently lost during that time period. "Lost Units" refers to any units lost during a given time period, regardless of whether those specific units were present in the portfolio at the beginning of that time period. See definitions below.

### Formula:

*Churned Units*

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*Beginning Units*

### Metric Variations

- 12-Month Churn:

*12-Month Churned Units*

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*Beginning Units*

- Good Churn:

*Good Churned Units*

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*Beginning Units*

- Neutral Churn:

*Neutral Churned Units*

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*Beginning Units*

- Bad Churn:

*Bad Churned Units*

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*Beginning Units*

## Unit Lifetime Revenue (ULTR)

**What it means:** Unit Lifetime Revenue establishes the average revenue contribution of each unit over the lifetime of the contract.

**Why it matters:** Unit Lifetime Revenue reflects the strength of your revenue model and customer retention. Understanding and optimizing the underlying factors that influence ULTR will lead to a stronger, more robust financial model and underlying business value. Specifically, ULTR demonstrates that you can grow revenue by expanding revenue per unit or by lengthening customer lifespans via decreased unit churn. This multi-dimensional view of revenue provides greater clarity than just the volume of units under management.

**How to calculate:** We calculate Unit Lifetime Revenue by dividing AUR by the annualized churn for the same twelve-month period.

### Formula:

$$\frac{AUR}{12\text{-Month Churn}}$$

### Metric Variations:

- ULTR w/ Maintenance:

$$\frac{AUR \text{ w/ Maintenance}}{12\text{-Month Churn}}$$

- ULTR w/ Brokerage:

$$\frac{AUR \text{ w/ Brokerage}}{12\text{-Month Churn}}$$

- ULTR w/ Maintenance & Brokerage:

$$\frac{AUR \text{ w/ Maintenance \& Brokerage}}{12\text{-Month Churn}}$$

## Unit Lifetime Profit (ULTP)

**What it means:** Unit Lifetime Profit establishes the average profit contribution of each unit over the lifetime of the contract.

**Why it matters:** Unit Lifetime Profit answers the question, “What is each unit worth to your business?” It speaks to the value of your portfolio and provides context around what you can afford to spend to acquire new units.

**How to calculate:** We calculate Unit Lifetime Profit by multiplying annualized PPU by 12, and dividing the result by the annualized churn for the same twelve-month period.

### Formula:

$$\frac{12\text{-month Profit Per Unit} \times 12}{12\text{-Month Churn}}$$

### Metric Variations

- ULTP w/ Maintenance:

$$\frac{12\text{-month PPU w/ Maintenance} \times 12}{12\text{-Month Churn}}$$

- ULTP w/ Brokerage:

$$\frac{12\text{-month PPU w/ Brokerage} \times 12}{12\text{-Month Churn}}$$

- ULTP w/ Maintenance & Brokerage:

$$\frac{12\text{-month PPU w/ Maintenance \& Brokerage} \times 12}{12\text{-Month Churn}}$$

## ULTP before UAC

**What it means:** ULTP before UAC establishes the average profit contribution of each unit over the lifetime of the contract, backing out new owner advertising and sales and marketing labor costs.

**Why it matters:** Backing out new owner advertising and sales and marketing labor expenditures from ULTP helps normalize for growth spend. This allows for a more accurate comparison of ULTP across businesses with differing priorities around investing in growth.

**How to calculate:** We calculate ULTP before UAC by multiplying annualized PPU by 12, adding in the sum of New Owner Advertising and PM Sales & Marketing Labor for the same twelve-month period, and dividing the result by the annualized churn for the same twelve-month period.

### Formula:

$$\frac{\begin{aligned} &12\text{-month Profit Per Unit} \times 12 \\ &+ 12\text{-month New Owner Advertising (6200s)} \\ &+ 12\text{-month PM Sales \& Marketing Labor (6430s)} \end{aligned}}{12\text{-Month Churn}}$$

### Metric Variations

- ULTP before UAC w/ Maintenance:

$$\frac{\begin{aligned} &12\text{-month PPU w/ Maintenance} \times 12 \\ &+ 12\text{-month New Owner Advertising (6200s)} \\ &+ 12\text{-month PM Sales \& Marketing Labor (6430s)} \end{aligned}}{12\text{-Month Churn}}$$

- ULTP before UAC w/ Brokerage:

$$\frac{\begin{aligned} &12\text{-month PPU w/ Brokerage} \times 12 \\ &+ 12\text{-month New Owner Advertising (6200s)} \\ &+ 12\text{-month PM Sales \& Marketing Labor (6430s)} \end{aligned}}{12\text{-Month Churn}}$$

- ULTP before UAC w/ Maintenance & Brokerage:

$$\frac{\begin{aligned} &12\text{-month PPU w/ Maintenance \& Brokerage} \times 12 \\ &+ 12\text{-month New Owner Advertising (6200s)} \\ &+ 12\text{-month PM Sales \& Marketing Labor (6430s)} \end{aligned}}{12\text{-Month Churn}}$$

## ULTP before UAC:UAC Ratio

**What it means:** ULTP before UAC:UAC Ratio establishes the amount of profit generated from each dollar spent on new owner advertising and sales and marketing labor.

**Why it matters:** ULTP before UAC:UAC Ratio is a measure of the return on every dollar invested in unit growth. It provides a relative comparison to the rate of return that could be achieved through other investment vehicles.

**How to calculate:** We calculate this ratio by dividing the ULTP before UAC metric by the UAC for the same period.

### Formula:

$$\frac{ULTP \text{ before UAC}}{UAC}$$

### Metric Variations

- ULTP before UAC:UAC Ratio w/ Maintenance:

$$\frac{ULTP \text{ before UAC w/ Maintenance}}{UAC}$$

- ULTP before UAC:UAC Ratio w/ Brokerage

$$\frac{ULTP \text{ before UAC w/ Brokerage}}{UAC}$$

- ULTP before UAC:UAC Ratio w Maintenance & Brokerage:

$$\frac{ULTP \text{ before UAC w/ Maintenance \& Brokerage}}{UAC}$$



## Unit Lifetime (in months)

**What it means:** Unit Lifetime establishes the average number of months each unit remains under management with your company.

**Why it matters:** Unit Lifetime directly impacts the lifetime revenue and profit for each unit.

**How to calculate:** We calculate Unit Lifetime by dividing Unit Lifetime Revenue by the 12-Month RPU for the same twelve-month period.

### Formula:

*ULTR*

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*12-Month RPU*

## Time to Payback (in months)

**What it means:** Time to Payback establishes the time (in months) required to recover the new owner advertising expense for each newly acquired unit from revenue derived from the newly acquired unit.

**Why it matters:** Time to Payback provides a framework for understanding the cash flow impact of your new owner advertising spend. Specifically, it helps you calculate how quickly you can scale up your marketing spend strictly from a cash flow perspective.

**How to calculate:** We calculate Time to Payback by dividing UAC (w/o Labor) by RPU.

### Formula:

$$\frac{UAC \text{ (w/o Labor)}}{RPU}$$

### 3. Productivity Metrics

Metrics that gauge a company's ability to convert labor dollars into revenue.

#### PM Direct Labor Efficiency Ratio (PM DLER)

**What it means:** The Direct Labor Efficiency Ratio measures the productivity of the subset of employees who spend 50% or more of their time providing client/customer-facing value to either owners or tenants. Specifically, PM DLER answers the question, "How many dollars of revenue do we generate for every dollar spent on direct labor?"

**Why it matters:** Direct Labor Efficiency Ratio is a productivity measure that measures the efficiency of the variable portion of your labor force. Segmenting the type of labor (direct vs management) allows for nuanced analysis of your labor force to understand which roles, employees, and types of clients are driving the greatest amount of revenue at the lowest cost—or vice versa. DLER typically falls within a band of 2.00 to 3.50, with a higher number providing greater financial performance. Fundamentally, this metric performs the function of holding direct labor accountable for driving revenue.

**How to calculate:** We calculate PM DLER by dividing the sum of PM Income by the sum of Direct Labor.

**Formula:**

$$\frac{PM\ Income\ (4100s + 4200s)}{Direct\ Labor\ (6300s)}$$

**Metrics Variations**

- Maintenance DLER:

$$\frac{Maintenance\ Gross\ Margin\ (see\ definition\ below)}{Maintenance\ Wages\ (6760)}$$

- Brokerage DLER:

$$\frac{Brokerage\ Gross\ Margin\ (see\ definition\ below)}{Brokerage\ Wages\ (6870)}$$

- Total DLER:

$$\frac{PM\ Income\ (4100s + 4200s) + Maintenance\ Gross\ Margin\ (see\ definition\ below) + Brokerage\ Gross\ Margin\ (see\ definition\ below)}{Direct\ Labor\ (6300s) + Maintenance\ Wages\ (6760) + Brokerage\ Wages\ (6870)}$$

## PM Management Labor Efficiency Ratio (PM MLER)

**What it means:** Management Labor Efficiency Ratio measures the productivity of the subset of employees who spend more than 50% of their time in managing direct labor or in property management sales and marketing. Specifically, PM MLER answers the question, “How many dollars of contribution margin (PM Income minus Direct Labor) do we generate for every dollar spent on management labor?”.

**Why it matters:** Management labor operates at a much higher standard than direct labor in terms of the revenue it should be expected to produce because of how the manager-to-direct-labor ratio scales with growth. MLER typically falls within a band of 2.50 to 5.00, with a higher number providing greater financial performance. Fundamentally, this metric performs the function of holding management labor accountable for driving *efficient* production of revenue by direct labor.

**How to calculate:** We calculate MLER by dividing PM Contribution Margin by Management Labor.

### Formula:

$$\frac{\text{PM Contribution Margin}}{\text{Management Labor (6400s)}}$$

## PM Total Labor Efficiency Ratio (PM TLER)

**What it means:** Total Labor Efficiency is a measure of employee productivity. Specifically, PM TLER answers the question, “How many dollars of revenue do we generate for every dollar spent on labor?”. For example, a company with \$4M in revenue and \$2M in labor cost would have a TLER of 2.00. In other words, for every \$1 in labor, the business receives a \$2 return on that investment.

**Why it matters:** While Total Labor Efficiency Ratio is simply the inverse of labor spend as a % of revenue (revenue/labor instead of labor/revenue), it differs in that it is focused on driving revenue contribution (meaning, how much revenue did current labor produce). This simplifies forecasting and scenario planning by holding every labor dollar expenditure accountable to revenue output, either as an individual or a group. That is, once you’ve established your target LER multiplier, you can simply multiply upcoming labor expenditures by that number. Using our previous example, a company with a current TLER of 2 that is considering a \$50k a year hire would need to add an additional \$100k in revenue in order to maintain their current level of profitability. Lastly, because TLER is measuring efficiency in cost to revenue, as opposed to the number of people to units or people to revenue, it is flexible enough to factor in any kind of labor regardless of whether it’s full time, part time, contractor, or virtual.

**How to calculate:** We calculate PM TLER by dividing the sum of PM Income by the sum of Direct Labor and Management Labor.

### Formula:

$$\frac{\text{PM Income (4100s + 4200s)}}{\text{Direct Labor (6300s)} + \text{Management Labor (6400s)}}$$

## 4. Financial Metrics

Basic ratios that describe financial performance. These are considered self-explanatory.

### Expense Metrics

**Labor % of Income:** The % of PM Income spent on Labor. Formula below:

$$\frac{\text{Labor (6300s + 6400s)}}{\text{PM Income (4100s + 4200s)}}$$

**Direct Labor % of Income:** The % of PM Income spent on Direct Labor. Formula below:

$$\frac{\text{Direct Labor (6300s)}}{\text{PM Income (4100s + 4200s)}}$$

**Management Labor % of Income:** The % of PM Income spent on Management Labor. Formula below:

$$\frac{\text{Management Labor (6400s)}}{\text{PM Income (4100s + 4200s)}}$$

**PM Sales & Marketing Labor % of Income:** The % of PM Income spent on PM Sales & Marketing Labor. Formula below:

$$\frac{\text{PM Sales & Marketing Labor (6430s)}}{\text{PM Income (4100s + 4200s)}}$$

**New Owner Advertising % of Income:** The % of PM Income spent on New Owner Advertising. Formula below:

$$\frac{\text{New Owner Advertising (6200s)}}{\text{PM Income (4100s + 4200s)}}$$

**Facilities % of Income:** The % of PM Income spent on Facilities. Formula below:

$$\frac{\text{Facilities (6100s)}}{\text{PM Income (4100s + 4200s)}}$$

**Payroll Taxes & Benefits % of Income:** The % of PM Income spent on Payroll Taxes & Benefits. Formula below:

$$\frac{\text{Payroll Taxes & Benefits (6500s)}}{\text{PM Income (4100s + 4200s)}}$$

**Other Operating Expense % of Income:** The % of PM Income spent on Other Operating Expense. Formula below:

$$\frac{\text{Other Operating Expense (6600s)}}{\text{PM Income (4100s + 4200s)}}$$

**Facilities & Other Operating Expenses % of Revenue:** The % of PM Income spent on Facilities and Other Operating Expense. Formula below:

$$\frac{\text{Facilities (6100s)} + \text{Other Operating Expense (6600s)}}{\text{PM Income (4100s + 4200s)}}$$

**PM Profit Margin:** The profitability of the property management division of the business expressed as a percent. Formula below:

$$\frac{\text{PM Profit}}{\text{PM Income (4100s + 4200s)}}$$

## Profitability Metrics

**Net Operating Profit Margin:** The profitability of all core business functions of the business, including property management, Maintenance, and brokerage, expressed as a percent Formula below:

$$\frac{\text{Net Operating Profit}}{\text{Income (4000s)}}$$

**Net Profit Margin:** The overall profitability of the company, including both core and non-core business functions, expressed as a percent. Formula below:

$$\frac{\text{Net Profit}}{\text{Income (4000s) + Other Income (7000s)}}$$

**Maintenance Profit Margin:** The profitability of the maintenance division, expressed as a percent. Formula below:

$$\frac{\begin{aligned} &\text{Maintenance Income (4700s)} \\ &- \text{Maintenance COS (5700s)} \\ &- \text{Direct Maintenance Expense (6700s)} \end{aligned}}{\text{Maintenance Income (4700s)}}$$

**Brokerage Profit Margin:** The profitability of the brokerage division, expressed as a percent. Formula below:

$$\frac{\begin{aligned} &\text{Brokerage Income (4800s)} \\ &- \text{Brokerage COS (5800s)} \\ &- \text{Direct Brokerage Expense (6800s)} \end{aligned}}{\text{Brokerage Income (4800s)}}$$

## Part 2—General Terms and Definitions

The following section provides standard definitions for common financial and operational terms that are used to calculate the metrics in the previous section.



**PM Income:** The total revenue associated with the property management division of your business, excluding revenue from Maintenance services, brokerage, and other ancillary business units. Formula below:

$$\begin{aligned} & \text{Residential PM Income (4100s)} \\ & + \text{Other PM Income (4200s)} \end{aligned}$$

**PM Contribution Margin:** The total property management revenue remaining after Direct Labor expenses (the variable portion of total labor expense). Formula below:

$$\begin{aligned} & \text{Residential PM Income (4100s)} \\ & + \text{Other PM Income (4200s)} \\ & - \text{Direct Labor (6300s)} \end{aligned}$$

**Residential PM Expenses:** A revenue-based allocation of the expenses associated with the residential property management function of your business (as opposed to expenses associated with commercial, community association or short-term rental property management). Formula below:

$$\text{PM Expenses (6100-6699)} \times \frac{\text{Residential PM Income (4100s)}}{\text{PM Income}}$$

**PM Profit:** The profit associated with the property management division of your business. Formula below:

$$\begin{aligned} & \text{PM Income (4100s-4200s)} \\ & - \text{PM Expenses (6100-6699)} \end{aligned}$$

**Residential PM Profit:** The profit associated specifically with the residential property management function of your business. Formula below:

$$\begin{aligned} & \text{Residential PM Income (4100s)} \\ & - \text{Residential PM Expenses (see definition above)} \end{aligned}$$

**Maintenance Gross Margin<sup>1</sup>:** The Maintenance income of your company minus cost of services, including 3rd-party maintenance contractors or job supplies and materials. Formula below:

$$\begin{aligned} & \text{Maintenance Income (4700s)} \\ & - \text{Maintenance COS (5700s)} \end{aligned}$$

**Maintenance Profit:** The profit from the maintenance division of your business. Formula below:

$$\begin{aligned} & \text{Maintenance Income (4700s)} \\ & - \text{Maintenance COS (5700s)} \\ & - \text{Direct Maintenance Expense (6700s)} \end{aligned}$$

**Overall Brokerage COS:** The cost of services generally associated with the brokerage division of your business. Formula below:

$$\begin{aligned} & \text{Brokerage Royalties COS (5830)} \\ & + \text{Brokerage Transaction Fees COS (5840)} \\ & + \text{Brokerage COS-Other (5899)} \end{aligned}$$

**PM Brokerage COS:** A revenue-based allocation of the cost of services associated with the brokerage division of your business that is derived from your property management services. Formula below:

$$\frac{[\text{PM Brokerage Income (4810s)}]}{\text{Brokerage Income (4800s)}} \times \text{Overall Brokerage COS}$$

$$+ \text{Brokerage Commissions Paid COS-PM (5810)}$$

**PM Brokerage Gross Margin:** The portion of

<sup>1</sup> "Gross Margin" refers to income minus cost of services.

the gross margin from the brokerage division of your business that is derived from your property management services. This would primarily include real estate commissions from transactions performed for owners or for tenants under management, minus the corresponding portion of cost of services. Formula below:

$$\begin{aligned} & \text{PM Brokerage Income (4810s)} \\ & - \text{PM Brokerage COS} \end{aligned}$$

**Brokerage Profit:** The profit associated with the brokerage division of your business. Formula below:

$$\begin{aligned} & \text{Brokerage Income (4800s)} \\ & - \text{Brokerage COS (5800s)} \\ & - \text{Direct Brokerage Expense (6800s)} \end{aligned}$$

**Overall Brokerage Expenses:** Expenses generally associated with the brokerage division of your business. Formula below:

$$\begin{aligned} & \text{Brokerage Royalties COS (5830)} \\ & + \text{Brokerage Transaction Fees COS (5840)} \\ & + \text{Brokerage COS-Other (5899)} \\ & + \text{Direct Brokerage Expense (6800s)} \end{aligned}$$

**PM Brokerage Expenses:** A revenue-based allocation of the expenses associated with the brokerage division of your business that is derived from your property management services. Formula below:

$$\begin{aligned} & \frac{\text{[PM Brokerage Income (4810s)]}}{\text{Brokerage Income (4800s)}} \times \text{[Overall Brokerage Expenses]} \\ & + \text{Brokerage Commissions Paid COS-PM (5810)} \end{aligned}$$

**PM Brokerage Profit:** The portion of profit from the brokerage division that is derived from your

property management services. This would primarily include real estate commissions from transactions performed for owners or for tenants under management. Formula below:

$$\begin{aligned} & \text{PM Brokerage Income (4810s)} \\ & - \text{PM Brokerage Expenses} \end{aligned}$$

**Net Operating Profit:** The profit associated with the core business divisions of your company. Formula below:

$$\begin{aligned} & \text{Income (4000s)} \\ & - \text{Cost of Services (5000s)} \\ & - \text{Expenses (6000s)} \end{aligned}$$

**Net Profit:** The overall profit of your company, including core and non-core business functions. Formula below:

$$\begin{aligned} & \text{Income (4000s)} \\ & - \text{Cost of Services (5000s)} \\ & - \text{Expenses (6000s)} \\ & + \text{Other Income (7000s)} \\ & - \text{Other Expenses (8000s)} \end{aligned}$$

**Management Fees %:** The % of Residential PM Income derived from management fees. Formula below:

$$\frac{\text{Management Fees (4110)}}{\text{Residential PM Income (4100s)}}$$

**Owner Leads:** Any potential client who has expressed interest in your management services.

**Units:** All residential units under active management contract.

- **Beginning Units:** the number of units active at the beginning of a given period

- **New Units:** the number of units added organically during a given period
- **Purchased Units:** the number of units purchased (through an acquisition) during a given period
- **Lost Units:** the number of units lost during a given period
- **Churned Units:** the number of units lost during a given period, less any units that were added/purchased and lost in the same period
  - *Good:* Owner sold through us
  - *Neutral:* Owner sold or moved back in, foreclosure, maintenance issues
  - *Bad:* We fired them, they fired us
- **Ending Units:** the number of units active at the end of a given period (as indicated by your PMS (Property Management Software) unit directory at the end of a given period)

**12-Month:** Any twelve-month period of time.

**Average Units (12-Month):** The average number of units under active management in any given twelve-month period. Formula below:

*Sum of ending units for 12 individual months  
(Jan. + Feb. + March etc.)*

$$\frac{\text{Sum of ending units for 12 individual months (Jan. + Feb. + March etc.)}}{12}$$

**Average Rent:** The average rent fees charged on active units. Formula below:

$$\frac{\text{Sum of rent amounts charged}}{\text{\# of rent charges}}$$

**Ending Occupancy %:** Occupancy % at the end of a given month as indicated by PM software.

**Occupied Units (by month):** Total units with rent charges in a given month. This may be alternatively calculated as: Ending Units x Ending Occupancy %

**Average Occupied Units (12-Month):** The average number of occupied units (see definition above) in any given twelve-month period. Formula below:

$$\frac{\text{Sum of occupied units (for 12 individual months)}}{12}$$