

# The A to Z Dictionary for Single Family Home Investors

The property management world is full of industry-specific terms, and even seasoned investors might not be familiar with each and every one. To help, Haven Homes created this handy glossary of often-used terms to guide those involved in the rental property industry.

**Buying power:** Financial ability of a business or individual to purchase goods and services. For instance, Haven Homes gets volume-based pricing and preferred rates from contractors and vendors, giving us maximum buying power.

**Budgets:** A list of estimated costs for an investment property, including but not limited to homeowners insurance, property taxes, repairs/maintenance, utilities, broken lease costs, property remarketing, and unit turnover.

**Cash-on-cash return:** The percentage of before-tax cash flow to the amount of cash invested. This can help evaluate the cash flow from income-producing assets.

**Days rent ready:** The number of days from the time a property is ready to move in (which accrues until the day the lease is signed).

**Days to lease:** The number of days it takes to successfully lease an available unit. The average days-to-lease should be compared to the market average and evaluated in tandem with other metrics to help determine the health of your property management business.

**Days Vacant:** The consecutive number of days a property has not been inhabited. Typically measured from Move out to move in of a new resident.

**Deposit Accounting:** The administrative functions performed by an owner/property manager after a resident has vacated a rental property. These tasks typically include damage reimbursements, ledger reconciliations, and distribution of security deposit funds.

**Evictions:** Expelling a resident permanently from a property for failing to fulfill their rental agreement. Owner and property managers are legally required to abide by federal and state eviction regulations including the Fair Housing Act. For instance, “self-help evictions” (wherein a landlord retakes possession of a property without using the eviction process) are prohibited in nearly every state. To avoid eviction lawsuits, landlords or owner’s agents must provide proper eviction notices and follow all other regulations and timelines. In most states, eviction proceedings can begin either three or five days after non-payment from a resident.

**Fair market value:** The price a property will sell for on the open market.

**Fee-based property management:** This is the most common property management business model. Typically, a property manager or management company collects fees to find a resident for a property and to keep it occupied. This is usually a percentage-based fee, but other options can be flat or per-project fees.

**HOA:** An acronym for Homeowner Association, which is an organization that makes and enforces rules for a given neighborhood, subdivision, condominium cluster or planned community. An individual who purchases property within a given HOA's boundaries automatically gains compulsory membership, which requires the payment of dues/fees (typically monthly or annually) which helps fund neighborhood improvements, common areas, maintenance or other agreed-upon projects and tasks.

**HOA Rules and Regulations (CC&R):** An HOA's Declaration of Covenants, Conditions, and Restrictions state the rules for member properties, along with any property requirements and limitations. For instance, an HOA may place restrictions on street parking, certain dog breeds, or fencing.

**HOA violations:** Any infraction by a HOA member/resident of HOA policies stated in the CC&R rules. Violations may result in a warning, fine, or in some severe cases, eviction from the property.

**Insurance:** In return for a regular premium payment, a company or agency guarantees compensation for specified loss, damage, illness, or death covered under a given policy.

- **Homeowners insurance:** A type of property insurance taken out by the homeowner that covers a private residence. Hazard insurance (also called due hazard insurance) refers to homeowner's insurance as relates only to the structure itself.
- **Workers Compensation:** A type of insurance that provides wage replacement and medical benefits to qualified employees injured in the course of their employment. In return, the employee waives the right to sue the employer for negligence.
- **Renter's insurance:** Provides a renter (resident or tenant) with liability insurance; the resident's personal property is covered against covered occurrences such as fire, theft, and vandalism, or other situations when (through no fault of their own) the dwelling becomes uninhabitable.

**Lease renewals:** Agreements that extend an existing but expiring lease for an additional term. The owner or property manager and the resident must agree to the renewal terms.

**Length of Tenancy:** The set duration time as defined in the contract that the lease period covers. This term is also sometimes used to define the total length of time elapsed since a resident moved into their current rental property.

**MIMO Checklist:** MIMO is an acronym for "move-in, move-out" which is a set of checklists and inspections performed by the owner or agent to determine and document the property's current condition, and identify any damage and needed repairs. For instance, Haven Homes completes a very comprehensive walkthrough with every resident prior to move in, showing them how everything in the home works, sharing procedures and contacts for various situations (for instance: if something stops working) and emails everyone a copy of the checklist for their own records. This checklist is again referenced upon move out to compare the condition of the property and identify items that could be billed back to the resident as damage.

**Monthly expenses:** The sum of all expenses required to maintain a rental property. This category often includes but is not limited to the following: homeowners insurance, property taxes, repairs and maintenance and utilities.

**Multi-family home:** Also known as multi-dwelling units (MDU) or multifamily residential, this type of housing contains multiple, distinct housing units for residents within one building or complex. Common forms of multi-family homes are apartment buildings or condominium complexes.

**Net cash flow:** The difference between a company's cash inflows (money that came in from daily operations and delivery of goods/services) and outflows (expenses such as salaries, supplies, and maintenance, as well as paying dividends or debts) in a set time period. Typically refers to the change in a company's cash balance as detailed on a business's cash flow statement.

**Net effective rent:** Refers to the total monthly rent that a resident will pay over the term of the lease after factoring in available concessions. For example, if a home is renting for \$1,500 and the landlord offers a free month concession, the Net Effective Rent would be \$1,375.

**Net operating income (NOI):** The monthly/annual income generated by a rental property after taking into account all income collected and deducting all expenses.

**Owner's agent:** Any person (such as a property manager) authorized by the property owner to act on his/her behalf.

**Owner mindset:** The thought or action of thinking and making decisions as an owner would. As an owner and manager, Haven Homes approaches all decisions from the perspective of an owner.

**Owner time and effort:** The cost in time, stress and effort an owner puts into managing a property. Even if done in one's "free" time, this refers to the time and resources sacrificed.

**Pay or Quit:** A notice sent to a tenant who has failed to stay up to date on his/her contractually obligated rent payments. This is most commonly sent prior to the commencement of eviction proceedings against the tenant.

**Performance-based property management:** Property management that focuses on reducing owners' expenses and increasing their cash flow. Performance-based companies, like Haven Homes, have developed high-quality services which result in higher returns and lower operating costs

**Preventative maintenance:** Making smart maintenance choices before problems happen to minimize overall maintenance costs. For instance, regularly changing out air filters in HVAC systems reduces wear and tear and maximizes energy efficiency.

**Profit:** The positive difference between the amount earned from a sale or lease, and the amount invested in it.

**Property marketing:** The time, money and energy spent to market a property to potential residents. This includes flyers, digital advertising/listings, social media posts, staff time spent on showings, etc.

**Rent:** The regular, contractually-agreed upon fee paid (typically monthly, though rent cycles can vary) by the resident to the property manager or landlord in exchange for permission to inhabit a specific unit of property.

**Renewal rate:** When a resident renews a lease, the renewal rate is the rent that will be charged to the resident. Rent is often (but not always) raised incrementally at the time of lease renewals.

**Rent Increase:** Any increase in the amount of regular rent payments due. This often (but not always) happens at the time of lease renewals.

**Rent-ready property:** A rental property has been cleaned, repaired/remodeled and is ready for a new resident to take possession.

**Repair estimate:** An educated guess supplied by the service provider, prior to the commencement of work, of how much the total project will cost. Estimates are often itemized. Typically, a contractor will only charge for the work actually done, using the estimate as a guide to help the client budget and decide whether to move forward. However, some companies charge the amount of estimate as the final price or may agree to a “no greater than” estimate, making it important for the client to know a contractor’s policy up front.

**Resident management:** The time and effort invested in keeping current residents satisfied with their property.

**Resident screening:** Screening and background checks for an applicant for your property prior to entering into a rental agreement.

**Retention rate:** The percentage of residents that renew their lease or remain on a month-to-month term in an apartment complex or group of single family homes after the expiration of their existing lease. Typically tracked each month.

**Single-family home:** A free-standing, stand-alone home designed for one family to inhabit, such as a traditional house. Often referred to as single-detached dwelling, detached residence or detached house.

**Security deposit:** A deposit of money to the landlord before move-in as a sort of insurance that the property will be maintained properly, and residents will not cause damage beyond minor wear and tear or materially alter the property in any way. If a resident fails to live up to these requirements, a landlord or owner can keep some or all of the security deposit at time of move-out (in accordance with their own state’s laws).

**Stabilized portfolio:** Occupancy levels reached by a new investment property after the initial renovation and lease-up period, and that are reasonably expected to continue into the future.

**Turnover cost:** The cost of preparing a rental property for new residents. Some examples of this type of cost would be repainting or installing new carpet.

**Turnover rate:** The percentage of residents that vacate an apartment complex or group of single homes after the expiration of their existing lease. Typically reviewed on a yearly basis.

**Turnover time:** The amount of time it takes a property to go undergo a unit turn. Typically measured from vacate date to rent ready.

**Vacancy loss:** The estimated amount of money or percentage of rental income that will not be realized due to vacant units.

**Walk-throughs:** The inspection of a home by the buyer or resident before the contract is finalized/closed, move-in occurs or after move out. The future/prior resident (typically guided by an agent or property manager) ensures all items and areas have been fully documented and is given a final opportunity to approve the condition of the property (or ask for outstanding repairs/requests to be completed). Most typically happen a few days or hours before move-in day and at move out.

**Zoning:** The way the governments regulate the types of uses to which any individual property may be created and used--for instance, residential, commercial or industrial.