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Purpose

This document describes the steps a user will follow to build a basic property model in ARGUS Enterprise.

More complex inputs such as CPI, Rent Indexation, and Debt Financing are excluded from this Step by Step Guide but can be found in the ARGUS Enterprise Help (F-1) menu and in the ARGUS Enterprise Product User Guide.

Note: The inputs and examples provided in this document are intended to be used only for Office/Retail properties and do not represent the steps for creating models for multifamily, hotel, or mixed use properties, which are also supported by ARGUS Enterprise.
Building a Property Asset Model

ARGUS Enterprise includes a comprehensive list of input tabs that you will use to build a property model. The major steps for building a property asset model included in this guide are:

- Create a New Portfolio
- Create a New Property Asset
- Enter Information Into a Property Asset
- Enter Market Assumptions
- Enter Expenses
- Enter Tenant Information
- Select Valuation Methods
Create a New Portfolio

1. Click File>Property Portfolios>Create New Portfolio.

Result: The Create New Portfolio Pop-Up appears.

2. Enter/select portfolio information.

Note: You can select Is Template to create portfolio templates to standardize input assumptions for later use.

3. Click OK.
Create a New Property Asset

1. On the ribbon click **Add Property**.

   ![Add Property](image)

   Result: The Property Asset Template Pop-Up appears.

2. Click **Create Property from scratch**.

3. Select a **property asset type**.

   ![Create Property Asset](image)

4. Click **Next**.

   Result: The New Property Asset tab displays.
5. Type/select **property information**.
6. Click **Finish** to create the property asset.

Result: Properties Editor screen displays.

Option: Click **Input** and **Reports** in the ribbon to show/hide Input and Reports screens or view both screens simultaneously in split screen mode.
Enter Information Into a Property Asset

The Property Description tab allows you to enter identification and timing information for the property asset.

1. In the Input tab panel click **Property> Description**.
   Result: Property Description pane displays.

2. Type/select:
   - General Information: General identification information such as the property name, property ID, property type, and the building area.
   - Analysis: Projection start date and the length of the analysis.
   - Timing: Override the timing for scenario actuals, budget, and inflation information.
   - Currency & Measurement: Currency and the measurement unit for the scenario.

3. Click **Location**.
4. Type/select the property address.

5. Click Area Measures.

6. Type the building area in the Area field.
Enter Market Assumptions

The Market Leasing Assumptions tab (MLAs) allows you to forecast speculative renewals for tenant areas as existing lease contracts expire and tenants renew or move out and a new tenant is acquired.

1. Click Market> Inflation.
   
   Result: Inflation grid displays.

2. Type inflation amount in the first date column.
   
   Result: The number copies across subsequent years.

3. Click General Vacancy.
   
   Result: General Vacancy pane displays.

4. Select a calculation method and a percentage.
   
   Option: Select Gross-up Revenue by Absorption & Turnover.
   Option: Select Override Specified Tenants.

5. Click Credit Loss.
   
   Result: Credit Loss pane displays.

6. Select a calculation method and a percentage.
7. Click **Market Leasing**.
   Result: Market Leasing grid displays.

8. On the ribbon click **Add Record**.
   Result: A new entry row displays.
   Option: Use the Default profile as your Market Leasing Profile.
   Note: You can create multiple Market Leasing Profiles for various categories, e.g. office, retail, storage, etc.

9. Type a **name** for the Market Leasing Profile.
10. Type/select information:
    - Name: Market leasing profile name.
    - General: Term, renewal probability, and months vacant.
    - Base Rent: Base rent unit, new/renew base rent input, renewal override, and % of prior rent.
    - Rent Increases: Changing base rent, fixed steps, step amounts, CPI increases, inflation rate/index.
    - Rental Value: Rental value unit, rental value, rental value inflation.
    - Free Rent: New free rent, renew free rent.
    - Recoveries: Structure and amount.
    - Miscellaneous Items: Miscellaneous rent and incentives.
    - Improvements: TI unit, new TI, renew TI, TI timing.
    - Leasing Commissions: New LC unit, new LC, renew LC unit, LC timing,
    - Security Deposit: New security deposit and renew security deposit.
    - Percentage Rent: Sales % basis, sales %, sales amount unit, sales amount, breakpoint, break amount.
    - Upon Expiration: The MLA that applies upon expiration.
Enter Expenses

The Operating Expenses tab allows you to model expenditures associated with a company's main operating activities and are reported on its income statement. The Capital Expenses tab allows you to model amounts spent to acquire or improve the property. The Expense Groups tab allows you to create collections of expenses to build recovery structures.

1. Click Expenses>Operating.

Result: Operating Expense grid displays.

2. On the ribbon click Add Record.

Result: A new entry row displays.

Option: Create a custom view to show/hide specified columns in the grid.

- Right click on a grid section header.
- Click Column/Band Chooser.
- Drag/drop column header from grid to Customization Pop-Up.

- Click Views>Save as New View in the ribbon.
- Name the custom view.
- Click OK.
- Option: Click Share with Others then OK to share this view.

3. Type/select information:

- General: Parent account, account number, account type, name from Chart of Accounts.
- Amount: How input, amount 1, frequency, amount 2, area measure, fixed %, recoverable %.
- Apply to Tenants: Apply to Tenants, Applied tenants.
Timing: Select a start date, adjustments, and timing.
Inflation: Select an inflation category.
Limits: Select minimum/maximum limits.
Usage: Select whether item is used in calculating NOI or Traditional Valuation.
Notes: Notes associated with the item.
Groups: Expense group associated with the item.

4. Click **Capital**.
   Result: Capital Expense grid displays.

5. On the ribbon click **Add Record**.
   Result: A new entry row displays.

6. Type/select information:
   - General: Parent account, account number, account type, project ID, name from Chart of Accounts.
   - Amount: How input, amount 1, frequency, amount 2, area measure, fixed %, recoverable %.
   - Apply to Tenants: Apply to Tenants, Applied tenants.
   - Timing: Start date, adjustments, and timing.
   - Inflation: Inflation categories.
   - Amortization: Amortization of the item with timing and interest rate.
   - Limits: Minimum/maximum limits.
   - Usage: Determines whether item is used in calculating NOI or Traditional Valuation.
   - Notes: Notes associated with the item.
   - Groups: Expense group associated with the item.
7. Click **Expense Groups**.  
   Result: Expense Groups pane displays.  
   Note: Creating Expense Groups facilitates building Recovery Structures.  
   On the ribbon click **Add Record**.  
   Result: A new entry row displays.

8. Type/select information:  
   - Group Code: Group code for the expense group.  
   - Expense Group Name: Name for expense group.  

9. Select **expenses** to be included from the left panel.  

10. Add **expenses** using the middle buttons.
Enter Tenant Information

The Rent Roll tab allows you to model existing tenant leases, including leased area, lease start and end dates, base rent, fixed steps, consumer price index (CPI) increases, free rent periods, percentage rents, recoveries, leasing costs, and market renewal assumptions. The Recoveries tab allows you to model tenant reimbursement of building expenses initially paid by the landlord.

1. Click Tenants>Rent Roll.
   Result: Rent Roll grid displays.

2. On the ribbon click Add Record.
   Result: A new entry row displays.

3. Type/select information:
   - Name: Identification information such as tenant name and the suite number.
   - Reference: A lease ID for the tenant’s lease.
   - General: Lease information such as tenure, status, type, occupancy, area, alternate area, availability/start dates, term, lease breaks.
   - Rental Income: Base rent unit, base rent, fixed steps unit, step amounts, payment schedule, rental value, free rent.
   - CPI: CPI Increases, inflation index, CPI indices, GAAP rent.
   - Percentage Rent: Sales percentage/amount, breakpoint.
   - Recoveries: Structure and the amount.
   - Miscellaneous Items: Miscellaneous rent and incentives.
   - Leasing Costs: Improvements and commissions.
   - Market Leasing: MLA profile, upon expiration, renew prob. Override, months vacant override, free rent override.
   - Tenant Classifications: Classifications for new and renew tenants.
   - Notes: Notes associated with this tenant.
   - External ID: External ID for this tenant.

4. Click Tenants>Recoveries.
5. Click the **ellipsis button** next to the system recovery structure you want to use.

   Result: The Tenants Pop-Up appears.

   Option: Click **Add Record** in the Ribbon to create a custom recovery structure.

6. Click **tenants** to include from the left.

7. Click middle buttons to add/remove **tenants**.

8. Click **OK** to apply changes.
Select Valuation Methods

The Assumptions tab allows you to manage intervals used in various valuation reports in a central location to facilitate changing settings so that reports will display useful valuation comparisons. The Present Value tab allows you to calculate a value for the property based upon a discount rate and discounting interval or method to be applied to the projected cash flows and the property resale value over the period defined by the present value/internal rate of return (PV/IRR) date and the property resale holding period.

1. Click Valuation>Assumptions.
   Result: Assumptions pane displays.

2. Type/select information:
   - Timing: Valuation dates.
   - General: Valuation method.
   - Sensitivity Intervals: Valuation intervals used in the sensitivity for Cap Rate, Resale, GIM, Purchase Price, Discount Rate, and IRR.

3. Click Valuation>Present Value.
   Result: Present Value pane displays.

4. Type/select information:
   - Discount: Discount rate and method.
   - Increment Discount Rate: Discount rate for Unleveraged/leveraged cash flow and resale rates.
   - Timing: Valuation intervals used in the IRR, Value & Resale Matrices.
Enter Resale Information

The Property Resale tab allows you to calculate multiple resale values used as the exit or reversionary values in the present value analysis.

1. Click Valuation>Property Resale.

Result: Property Resale grid displays.

2. Type/select information:
   - General: Default selection and name.
   - Calculation Methods: Sale date, calc method, inflation, amount, cap rate, multiplier, cap group.
   
   Note: Stabilized Occupancy inputs are available if you select Gross Income Multiplier.
   
   - Stabilized Occupancy: Stabilized income begin, #months, definition.
   - Adjustment: Add back free rent, gross up occupancy basis, gross up occupancy %, subtract Tis, subtract LCs, hold period, hold years, fixed date, adjustments.

3. Scroll far right and click the ellipsis to the add adjustments.
4. Review the Results section on the far right.

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Operating Income</td>
<td>$753,302</td>
</tr>
<tr>
<td>Occupancy Gross Up Adj.</td>
<td>$0</td>
</tr>
<tr>
<td>NOI Adjustments</td>
<td>$0</td>
</tr>
<tr>
<td>NOI To Capitalize</td>
<td>$753,302</td>
</tr>
<tr>
<td>Divided by Cap Rate</td>
<td>10.00%</td>
</tr>
<tr>
<td>Gross Sale Price</td>
<td>$7,533,024</td>
</tr>
<tr>
<td>Sale Price Adjustments</td>
<td>$0</td>
</tr>
<tr>
<td>Selling Costs</td>
<td>-$188,326</td>
</tr>
<tr>
<td>Net Sale Price</td>
<td>$7,344,698</td>
</tr>
</tbody>
</table>
Accessing Key Reports

ARGUS Enterprise includes a robust collection of Property level and Portfolio level reports. Some of the key reports to review after building your property asset model are:

- Cash Flow
- Present Value
- Lease Summary
- Lease Audit
- Data Review Details
Cash Flow Report

The Cash Flow report presents the projected revenues, expenses, capital expenditures, leasing costs, debt service, and financing for the property as well as deductions associated with absorption and turnover vacancy, vacancy loss, and credit loss.

1. In the Reports tab panel click **Property Reports>Cash Flow**.

   Result: Cash Flow Report displays.

2. Review cash flow information such as:

   - **Total Rental Revenue**: Sum of potential base rent, absorption & turnover vacancy, free rent, scheduled base rent, total miscellaneous rent, CPI increases.
   - **Total Other Tenant Revenue**: Sum of percentage rent, total expense recoveries, total incentive recovery.
   - **Total Other Revenue**: Sum of all other revenue items.
   - **Potential Gross Revenue**: Total Tenant Revenue + Total Other Tenant Revenue.
   - **Vacancy & Credit Loss**: Vacancy Allowance + Credit Loss.
   - **Effective Gross Revenue**: Potential Gross Revenue – Total Vacancy & Credit Loss.
   - **Total Operating Expenses**: Sum of all operating expenses.
   - **Net Operating Income**: Effective Gross Revenue – Total Operating Expenses.
   - **Total Leasing and Capital Costs**: Total Leasing Costs + Total Capital Expenditures.
   - **Cash Flow Before Debt Service**: NOI – Total Leasing Leasing & Capital Costs.
   - **Cash Flow Avail. For Distribution**: Cash Flow Before Debt Service – Debt Service
Present Value Report

The Present Value report presents a one page summary of the property valuation, including valuation assumptions, the investment, leveraged and unleveraged cash flows, and cash-on-cash returns.

1. Click Valuation Reports>Present Value.

Result: Present Value report displays.

2. Review valuation information such as:
   - PV of Cash Flow (at Intervals): Based on intervals in Present Value>Assumptions>Sensitivity Intervals.
   - NOI to Book Value: States NOI as a percentage of Book Value.
Lease Summary

The Lease Summary Report is a presentation quality tenant rent roll for your property. It includes detailed tenant information, base rents and rent steps, consumer price index (CPI) terms, free rent periods, recovery data, leasing costs, market leasing, and renewal assumptions for base, option, and speculative lease periods.

1. Click Tenant Reports > Lease Summary.

Result: Lease Summary report displays.

2. Review lease information such as:
   - General Tenant Information: Tenant name, suite number, lease dates, lease term, tenure, initial area, bldg. share%, lease period, status, market leasing, lease type.
   - Rent Details: Rate per year, amount per year, rate per month, amount per month, rental value per year, rent change on date, rent changes to $/SF annual, Rent changes to $/SF monthly.
   - CPI: Type, timing, inflation rate/index.
   - Free Rent: Date and months.
   - % Rent: Name, sales volume, breakpoint, overage %/cap.
   - Miscellaneous Rent: Name, type, rate $/SF, total amount.
   - Recovery: Structure name, type, input amount.
   - Tenant Improvements: Rate and total amount.
   - Leasing Commissions: Rate and total amount.
   - Incentives: Name, rate, and total amount.
   - Security Deposits: Security deposit, percent to refund, non-refundable portion.
   - Renewals Assumptions: MLA, upon expiration, lease type.
Lease Audit

The Lease Audit Report is a powerful tool for reviewing key cash flow totals, such as potential and scheduled base rent, recoveries and leasing costs, on a tenant by tenant basis. This useful report also includes area occupancy and market rents by tenant.

1. Click Audit Reports>Lease Audit.

   Result: Lease Audit report displays.

   ![](image)

   - Total Occupancy %: Sum of current leased space and speculative leases.
   - Total Potential Base Rent: Sum of PGR for all leases and speculative leases.
   - Total Lost Absorption/Turnover Rent: Sum of lost absorption/turnover for all leases and speculative leases.
   - Total Free Rent: Sum of free rent amounts for all leases and speculative leases.
   - Total Scheduled Base Rent: Total Potential Base Rent – (Total Lost Absorption/Turnover + Total Free Rent).
   - Total Fixed Steps: Sum of fixed rent steps for all leases and speculative leases.
   - Total Straight Line Rent Adjustment: Total GAP rent adjustments for all leases and speculative leases.
   - Total Straight Line Rent: Total GAP rent for all leases and speculative leases.
   - Total CPI Increases: Sum of CPI increases for all leases and speculative leases.
   - Total Sales Volume: Sum of sales volume for all leases and speculative leases.
   - Total Percentage Rent: Sum of percentage rent for all leases and speculative leases.
   - Total Recoveries: Sum of all recoveries for all leases and speculative leases.
   - Total Incentive Recovery: Sum of all incentive recoveries for all leases and speculative leases.
   - Total Tenant Income: Sum of all tenant income for all leases and speculative leases.
   - Total Tenant Improvements: Sum of all tenant improvements for all leases and speculative leases.
   - Total Leasing Commissions: Sum of all leasing commissions for all leases and speculative leases.
   - Total Incentives: Sum of all incentives for all leases and speculative leases.
   - Total Market Rent: Sum of all market rent for all leases and speculative leases.

2. Review cash flow totals by tenant:
Data Review Details

This Data Review Details report describes relevant warnings regarding input data.

1. Click **Review>Data Review Details**.

   ![Data Review Details Report]

   Result: Data Review Details report displays.

2. Click the arrows the Item Name column.

   Result: Information in Icon, Severity, and Message columns displays.