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**12/21**

- ❖ In anticipating the yearly costs of operation, expenses should be thought of as belonging to one of two types: controllable and non-controllable.
- ❖ Non-controllable, or fixed, expenses include items such as real estate taxes, insurance, labor-union-established wages, and manufacturer-set maintenance contracts.
- ❖ Controllable, or operating, expenses include those over which management has definite responsibility.
- ❖ While some expenses (e.g., utilities, water, and snow removal) are only partially controllable, budgets should reflect the degree to which they are.
- ❖ This distinction is especially important in periods of inflation, since it alerts management to factors beyond its control.





































