

# JDETips

*Editor's note: Not only did Richard write much of the May issue (remember the great overview of Service & Contract Billing?), but it turns out he is also an expert in Property Management and Homebuilder. Here's the first of what we hope are many excellent articles on these topics.*

Rent Projection is a small application within JDE's Real Estate Management module. It is surprising how few clients use it, given that there is very little setup to do and that generating projections is simple.

**Rent projections  
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type "U"**

Rent projections are stored by updating the subledger field with the Unit number, subledger type "U". This is a neat trick but it means that projections may only be done by Unit, Building and Object Account. Projections by Lease are not possible. In a future OneWorld Xe release (probably update 5), JDE intends to put the subledger field into the recurring

## Rent Projection

**By Richard Berry,  
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billing screen. This small change can make a big difference to reporting, enabling us to make comparisons, say, between projected and actual rent.

Rent-free periods can be built into the projection provided they are properly defined in the recurring billing master.

**Creating rent  
projections  
is very**

**straight forward.**

It is worth pointing out that projected rent works only for fixed charges set up in Recurring Billing. There is no feature for percentage rent projection or management fee projection.

There are some questions you will need to ask yourself before you generate rent projections:

**•What type of rent should be projected?** Any kind of fixed charge set up in recurring billing can be projected: Fixed Rent, Service Charge, Property Taxes, Rent Free, Fixed Management Fees and any other fixed charge you can think of.

**•What kind of rent should be projected?** This concerns the question whether the projection is intended to represent either a) the future cash flow generated by a unit or b) the accounting revenue

generated. If you use "Reference Rent" (which evens out the effect of rent-free periods) or accrued rent under the FASB13 rules, you may choose to project accounting revenue. Of course, there is nothing preventing you from generating both types of rent projection. Simply set up different projection generation versions and direct the resulting figures into different ledger types in the GL.

**•What should be done about vacant units?** JDE allows you to project rental income for vacant units based on the Market Rent per square foot per year. This kind of calculated rent or "speculative rent" can be updated into a different ledger type so that you can clearly see the distinction between actual rent projections generated from real leases, and potential rent projections. You may also build in an annual inflation assumption that will take effect from the beginning of each year.

**•Should we assume that units becoming vacant will be immediately re-rented?** If there were a gap between tenancies, the system can fill the gap by assuming that the unit is immediately re-rented at the same rate as the expiring tenancy, even if the gap is quite small. This gives us the ability to see projected "Rent Lost" due to vacancy.

**•Should we prorate rental income for incomplete periods?** Usually, you would want to do this. If a tenant moves in or out in a period or if there is a rent change part-way through a

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*Rent Projection continued from page 1*

period, then the rent should be prorated.

Creating rent projections is very straightforward. The setup steps are:

- **Create the ledger types you want to store:**

- *Actual Rent Projections*
- *Speculative Rent Projections*
- *Square Foot statistics*

If you decide to use the standard JDE ledger types (GA, SA and GU respectively) then this step will not be necessary. You will only need to create additional ledger types if you intend to have alternative projections.

- **Create accounts for Speculative Rent and Square Foot statistics.** You will not need to create accounts for actual rent because the system will use the accounts already designated in the "PM" AAls, the same accounts used by recurring billing.

- **Create AAls and Bill Codes for speculative rent and sqft statistics.** Have a look at the standard JDE AAls "PMMISC" and "PMSQFT" for an example.

**You will only need to create additional ledger types if you intend to have alternative projections.**

- **Ensure that Market Rent values have been entered** for each unit, especially for vacant units.

To generate the rent forecast you use the "Projected Rent Generation" program found on menu G1529. The processing options are as follows:

## 1. "Select" Tab

- Report Begin and End Dates. The Begin and End dates of your projection.

- Bill Code for Vacant Units. Rental income for vacant units can be put in a different account from actual rent projections. It is also put into a different ledger type: "SA" rather than "GA". Vacant unit rent amounts are computed using the unit floor area and the Market Rent.

- Billing Frequency for vacant unit rent.

- Square Footage selection for occupied units. Sqft information for existing leases comes from the lease master. You may choose between Rentable and Useable area.

- Area type for vacant units. Since the unit master can have many different area types, including the standard Rentable and Useable areas, you have more choice, but I would assume that you would make the same choice here as you made in the previous processing option. You should enter literally \*RENTABLE or \*USEABLE in this field or leave it blank. If you leave it blank, the system will look to the next option to determine sqft stats for vacant units.

- Alternative Area Type.

## 2. "Process" Tab

- Xe update 4 has a proof and final option.

- Annual inflation rate for vacant units. Market Rent can be inflated at the beginning of each year. Enter 5% as .05.

- Renewal. This option may be taken if you want to assume that a unit is immediately re-let after the expiry of a lease. I have found that this option only seems to work in the space between an old and a new lease. Once a lease has expired and no new future lease has been entered, then the system reverts to using market rent.

- Ledger Type codes. Three ledgers may

be updated when you run the job. There is nothing stopping you having a second version which can update another three ledger types, if you need alternate projections.

- Amounts as debit or credit. Rental income is normally a credit so for comparison purposes it is best to enter "1" here.

## 3. "Print" Options Tab

When you run the generation job a report will be produced. The report is quite clear but it is not meant for management reporting. There are several options here concerning how you would like the report to be presented.

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