

COMMERCIAL REAL ESTATE GLOSSARY OF TERMINOLOGY



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A

ACCELERATOR

A programming-based workplace designed to help startup companies grow more rapidly by providing them with technical and educational assistance, mentoring, networking opportunities and workspace. Also known as CONVERSION.

ADAPTIVE REUSE

A building converted to a different use in order to meet current demand. Examples include a factory converted to retail use or an office building converted to a school.

ADDITIONAL RENT (SEE CAM (COMMON AREA MAINTENANCE))

ADJOINING

In actual contact with another object (i.e., attached). Also known as CONTIGUOUS.

AGENT

An individual/entity who transacts, represents, or manages business for another individual/entity. Permission is provided by the individual/entity being represented.

AIR RIGHTS

A type of property interest referring to the "space" above land.

AMENITIES

The features and benefits of a property that create value. Tangible amenities could include onsite parking while intangible amenities might include proximity to local transport or retail outlets.

AMORTIZATION

Amortization is the paying off of debt with a fixed repayment schedule in regular installments over time like with a mortgage. It also refers to the spreading out of capital expenses for intangible assets over a specific duration – usually over the asset's useful life – for accounting and tax purposes.

AMPS

A unit of measure of current (amperes) flowing in a circuit. Used to measure available electrical power supplied to a building.

ANCHOR TENANT

The primary and usually the largest tenant in a shopping center. Larger shopping centers may have more than one anchor tenant. Rent for anchor tenants is often significantly lower than rent for other tenants in a shopping center because they draw consumers to the center.

APPRAISAL

A formal valuation of the price that a property could achieve on the market at a point in time, conducted by an independent and licensed Real Estate Appraiser. A property is appraised using three approaches to value: the Cost Approach, the Income Approach and the Direct Comparison Approach.

APR (ANNUAL PERCENTAGE RATE)

The annual rate charged for borrowing (or made as a result of investing) expressed as a single percentage value. This represents the actual yearly cost of funds (or income from investing) over the term of a loan.

APRON

The area, within the truck court, where trucks are parked for loading and unloading. This area will be paved with more durable material than will the rest of the truck court (e.g., concrete or other structural reinforcement vs. asphalt) to withstand the heavy loads being parked there.

ARCHITECT

A professional who is registered, licensed or certified to practice architecture within a jurisdiction administered by a governmental agency or an architectural association legally mandated by the government.

ARREARS

Overdue payments on a debt or liability. An account that requires regular recurring payments – like a mortgage, rental agreement, utility bill or any type of loan – is in arrears when one or more payments have been missed.

AS-IS CONDITION

This means that the tenant or purchaser agrees to take the space in the condition it is currently in and agrees to be responsible for any necessary repairs or improvements.

ASKING RENT

The amount asked by landlords for available space, expressed in dollars per square foot per year in most parts of the country. Also known as FACE RATE.

ASSESSED VALUE

The value of real property as determined by a municipality for property tax purposes.

ASSET MANAGEMENT

Activities or services designed to maintain and increase the market value of any asset so the owner can benefit from returns. In real estate, asset management focuses on maximizing property value and ongoing returns from the property, usually in the form of rental income.

ASSIGNMENT

The manner by which a contract is transferred from one individual or entity to another.

ATTORNMENT

Under this type of agreement a tenant agrees to remain a tenant in the event that the landlord changes because of a mortgage default.

AUTOMOBILE PARKING RATIO

A ratio calculated by comparing the number of automobile parking spaces at a project to the gross leasable area (GLA) of a building. This ratio is usually expressed in number of spaces per 1,000 square feet of gross leasable space. It varies by property use, with labor-intensive operations needing higher parking ratios.

AVAILABLE SPACE

The total amount of space that is currently being marketed for lease. It includes space that is vacant or also space that is currently occupied but will be vacant in the future. Available space can include both direct and sublet space.

B

BASE BUILDING

The condition of a building before the tenant makes any improvements.

BASIS POINTS (BP)

Values equal to one-hundredth of one percentage point. For example, 100 basis points = 1 percentage point.

BIG BOX

A freestanding structure occupied by a dominant retailer such as Wal-Mart.

BLEND AND EXTEND

A type of renewal that allows a tenant to blend their existing lease into a new and longer lease. If a tenant is paying rent that is above current market rents, this arrangement will lower the current rental rate, while securing longer term for Landlord. Conversely, if rents are rising quickly and lease expiration is approaching a tenant may renew early and extend to lock in lower rates.

BROWNFIELD

Abandoned, idled, or underused land or facilities where expansion or redevelopment is complicated by real or perceived environmental contamination.

BUILDING CODE

Written regulations created and maintained by the government setting the minimum standards of health, safety, amenity and sustainability for the construction industry. The Building Code details technical requirements for the design and construction of buildings in a municipality.

BUILD OUT

The construction or improvements of the interior of a space, including flooring, walls, finished plumbing, electrical work, etc.

BUILDING CLASS

A rating describing the condition, location, and image of a structure within the context of its market. Buildings may be classed as:

Class A: Typically the most prestigious of buildings, they are newly-built or recently refurbished with high quality finishes with state of the art systems and provide a full complement of on-site amenities and services such as restaurants, convenience stores, meeting spaces, available parking, etc. Class A buildings are well located within the business district.

Class B: Typically Class B buildings offer good finishes and adequate systems but not on the level of Class A buildings. They normally do not offer the same range of amenities (if any) either.

Class C: Generally this class encompasses older properties that are functionally obsolete or in need of maintenance. They are usually, though not always, situated in less desirable locations.

BUILDING PERMIT

Written government permission to develop, renovate, or repair a building.

BUILD-TO-SUIT

A building is designed and tailored for a specific tenant, often because the tenant is unable to find suitable space in the speculative market. Sometimes (but not always), a build-to-suit project includes specific design features not commonly found in the speculative market, thus compelling the tenant to have a special facility built. The build-to-suit project is usually contracted with a developer who owns and operates the completed facility occupied by the tenant. Generally, a build-to-suit project becomes a single-tenant building upon completion.

BULK WAREHOUSE

An industrial property with clear ceiling heights equal to or greater than 24 feet, dock-high doors, and less than 10% office build-out.

C

CAM (COMMON AREA MAINTENANCE)

This is the amount of rent charged to the tenant, in addition to the base rent, to maintain the common areas of the property shared by the tenants and from which all tenants benefit. Examples include: snow removal, outdoor lighting, parking lot sweeping, escalators, sidewalks, skyways, parking areas, insurance, property taxes, etc. Most often, this does not include any capital improvements that are made to the property. Also known as ADDITIONAL RENT or OPERATING COST.

CAPITAL EXPENSES OR CAP EX

Improvements (as opposed to repairs) to a fixed asset that will increase the value or useful life of that asset. A capital expenditure is typically amortized or depreciated over the useful life of the asset, as opposed to a repair, which is expensed in the year incurred. Example: upgrading elevators, roof replacement, and lobby renovations.

CAPITALIZATION RATE OR CAP RATE

The value given to the property when the Net Operating Income (NOI) is divided by the current market value or sales price. A cap rate can be used as a rough indicator of how quickly an investment will pay for itself. The higher the cap rate, the better for the Purchaser, and the lower the cap rate, the better for the Vendor.

CASH-ON-CASH RETURN

The ratio of annual before-tax cash flow to the total amount of cash invested, expressed as a percentage. It is often used to evaluate the cash flow from income-producing assets. Calculated by dividing the annual dollar income by the total dollar investment.

CENTRAL BUSINESS DISTRICT (CBD)

The downtown or main business section of a city, generally consisting of a mix of office, retail, entertainment, hotel, high-density housing and governmental land uses.

CERTIFICATE OF INSURANCE

A document issued by an insurance company or its agent to verify the existence of an insurance policy and identifies those who are covered.

CERTIFICATE OF OCCUPANCY

A permit from the government that allows tenants to occupy a newly constructed building. The document verifies that the necessary building inspections have been completed and that the structure complies with the necessary public codes and regulations.

CHATTEL

Household goods, including personal property such as lamps, desks, and chairs; can be sold with a building or included in a lease if specified.

CLEAR HEIGHT

Distance from the floor to the lowest-hanging ceiling member or hanging objects, beams, joists or truss work descending down into a substantial portion of the industrial work area. This is the most important measure of the interior height of an industrial building because it defines the minimum height of usable space within the structure.

CLEAR SPAN

An open area with no obstructions.

CO-TENANCY

A clause in a retail tenant's lease that provides remedies to a tenant in the event that another tenant, typically an anchor or major tenant, ceases its operations at the property.

COLUMN SPACING

The distance between posts or vertical supporting beams in a building.

COMMENCEMENT DATE

This is the date of the beginning of a lease, usually the same day that the tenant takes occupancy.

COMMON AREA

The generally accessible areas found on each floor of an office building such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies and public corridors that are available for use by all tenants on that floor. It does not include major vertical penetrations such as elevator shafts, stairways, equipment runs, etc., (identified as a percentage of rentable area).

COMPETITIVE SET

A subset of total inventory that enables one to isolate and compare buildings on the basis of similar characteristics rather than simply by location. For example, a broker preparing to show available space to a tenant may identify five properties to be toured on the basis of location, square footage available, class, asking rent, parking ratio, etc. An investment sales or finance broker may generate a competitive set of buildings according to access to transit, year built, percentage leased, etc., to help estimate the value of an asset to be bought, sold or refinanced.

COMPLETION (SEE DELIVERED)

CONCESSIONS

To secure a tenant when vacancy is high in a market or submarket, a landlord may need to grant concessions in the lease. Those concessions most often take the form of free rent but may also include lease buyouts, moving allowances and above-market tenant improvement allowances.

CONDOMINIUM

Refers to the ownership structure of a property in which individual units housed in one structure are sold to independent owners. Typically, there are covenants that govern the activities that can be carried out in and improvements that can be made to each unit. Such covenants also stipulate the distribution of costs related to the maintenance and operations of common elements in the building such as the roof.

CONSTRUCTION STARTS

The total number of buildings that broke ground (commenced construction) over a given period. The starts are typically measured in number of buildings and square feet.

CONTIGUOUS (SEE ADJOINING)

CONVERSION (SEE ADAPTIVE REUSE)

CONVEYANCING

The process of transferring property between a buyer and a seller. In real estate, conveyancing involves drawing up and carrying out a written contract that sets out the agreed purchase price and the date of transfer, as well as the obligations and responsibilities of both parties.

CORE AREA

The common area plus vertical penetrations in an office building measured in square feet. Core area is typically expressed as a percentage of net rentable area. This factor, which ranges from 5 to 20 percent for typical office buildings, can be computed for an entire building or a single floor of a building.

COWORKING SPACE

Workspace offered for lease for short to long-term periods in a communal setting. Space for office, artistic or manufacturing use can be leased by the year, month, day, or even hour. The physical space leased can range from a traditional dedicated private office with a door to an unassigned seat on a bench along a communal table. Coworking spaces go beyond just providing a physical work environment, they are typically operated by entities that offer business-related lectures, social events and a sense of community for their entrepreneurial tenants, thus helping them grow their businesses.

CREDITWORTHY TENANT

A tenant with a business that has been in existence for numerous years, that has strong financial statements, or that has a large market presence that could be rated as investment grade by a rating agency. Financial and business stability implies that the tenant is highly likely to honor its lease commitment; the tenant is, therefore, viewed as a low-risk renter. Buildings with creditworthy tenants as anchors are considered less risky investments for lenders.

CROSS DOCK

Loading docks on opposite sides of a relatively shallow distribution facility that allow for quick loading, sorting or unloading from one vehicle to another (i.e., materials from one truck at a loading dock are unloaded, sorted and reloaded onto one or more trucks).

CUBIC VOLUME

In many industrial facilities, the cubic volume of the building must be calculated so a user can determine the size and type of racking and sorting equipment that can be accommodated.

D

DEBT COVERAGE RATIO

The debt coverage ratio is the ratio of the net operating income to the mortgage payment. If net operating income is projected to change over time, the investor typically reports the first year's net operating income.

DEFAULT

Failure to fulfill a promise, discharge an obligation, or perform certain acts.

DELIVERED

A building that has completed construction (i.e. obtained its certificate of occupancy). With a COO, the property will be considered delivered whether or not tenants have occupied the space. Also known as COMPLETION or NEW SUPPLY.

DEMISED PREMISES

The space subject to a lease, separated from spaces leased to others by a "demising" partition.

DEPRECIATION

The reduction in value of a tangible asset over time. With respect to real estate, depreciation can also mean a drop in the value of property assets due to poor market conditions.

DISCOUNT RATE

Interest rate used in discounted cash flow (DCF) analysis to determine the present value of future cash flows.

DISTRIBUTION BUILDING

A type of warehouse facility designed to accommodate efficient movement of goods.

DOCK-HIGH DOOR

A loading door that is elevated to 4 feet above ground level in order to be even with the standard tractor-trailer height for loading or unloading goods without a change in elevation. Some doors, called "semidock" or "half dock," are constructed at a 2-foot height to accommodate smaller or lower delivery trucks.

DOOR-TO-SQUARE-FOOT RATIO

The ratio of the total number of dock and grade (drive-in) loading doors to the building's total square feet.

DOUBLE NET LEASE OR NET-NET LEASE (SEE MODIFIED LEASE)**DRIVE-IN DOOR (SEE GRADE LOADING DOOR)****DUE DILIGENCE**

Investigating a potential investment or purchase to confirm all material facts. When someone is preparing to purchase a property, there are many different aspects of due diligence involved. The buyer needs to examine, among other things, the contract of sale, and the planning controls in place that will affect how the land and/or buildings are used.

E

EARLY OCCUPANCY (SEE FIXTURING PERIOD)

EASEMENT

The right of one party to use the property of another party, often for an agreed fee. Easements can affect the value of a property, so it's wise to consult with a conveyancer to determine the effects of an easement on a potential property purchase.

E-COMMERCE

Electronic commerce is the buying and selling of products or services mostly through the Internet. Typically, transactions are carried out via desktop and laptop computers as well as on mobile devices such as smartphones and smart tablets.

EFFECTIVE RENT

Expressed in dollars per square foot either per year or per month depending on market standards, it is a measurement of the value of the lease when all the concessions plus escalations are included. Effective rent calculations may vary according to local market practices; for example, in some markets, broker commissions are included.

EFFECTIVE RENT CALCULATION

Effective Rent = (total rent – free rent – cash allowances) / lease term / rentable square foot

Total Rent = rent paid during the term of the lease including escalations

Note: Cash allowances can include free rent, moving allowances and other cash considerations.

EMINENT DOMAIN

The government's right to condemn and acquire property for public use. The government must provide the owner fair compensation.

ENCUMBRANCE

A claim against a property by a party who is not the owner. Mortgages, easements and liens are examples of some encumbrances that can apply to real estate assets.

ESCALATION

An escalation provision in a lease requires the tenant to pay more rent based on future increases in costs. The provision may specify fixed rent increases, cost of living increases based on indexes such as the CPI, or direct expense increases adjusted according to expenditures paid by the landlord

ESCROW

An arrangement for a third party to hold funds on behalf of the other two parties in a transaction. In the sale of a property, the funds to purchase may be held in escrow until all conditions of the transaction – such as a building inspection – are satisfied. Also known as TRUST.

ESTOPPEL CERTIFICATE

A legal instrument executed by the one taking out the mortgage (i.e., mortgagor). The owner of a property may require an individual leasing a property to sign an estoppel certificate, which verifies the major points (e.g., base rent, lease commencement and expiration) existing lease between the landlord and tenant.

EXPANSION OPTION

This lease condition gives the tenant the opportunity to lease additional space under the terms of the original agreement.

EXPERIENTIAL RETAIL

The notion that people buy goods online but pursue experiences at brick- and-mortar locations (i.e., do yoga, eat at restaurants, visit flagship stores for experience and entertainment, etc.).

EXCLUSIVE AGENCY

An agreement in which one broker has exclusive rights to represent the owner or tenant. If another broker is used, both the original and actual broker are entitled to leasing commissions.

EXURBAN

An emerging residential area beyond built-up suburbs and edge cities.

F

FACE RATE (SEE ASKING RENT)

FIBEROPTIC CONNECTION (OR FIBRE)

High-speed data connection using optical cable.

FIXTURES

Personal property so attached the land or building (e.g., improvements) it is considered part of the real property.

FIXTURING PERIOD

A period of time prior to lease commencement whereby the landlord provides the tenant access to the space to fixture and build out to their requirements so they are more prepared to be operable at commencement date. They may be required to pay additional rent and utilities during this time, and will need to provide an executed lease, certificate of insurance and the deposit to the landlord prior to being granted access to the space. Can also called EARLY OCCUPANCY if no fixturing is required.

FLEX FACILITY

An industrial building designed to be used in a variety of ways and usually located in an industrial park setting. Specialized flex buildings can include service centers, showrooms, offices, and warehouse.

FLOOR AREA RATIO (FAR)

FAR is the relationship between the total square footage of a building and the total square footage of the parcel on which the building is located. It is typically calculated by dividing the total square footage of the building by the land area in square feet. For example, if a 20,000-square-foot building is built on a 10,000-square-foot lot, the FAR is 2.0.

FLOOR PLATE

The gross square footage of each floor in a multistory building. Individual floor plate sizes may vary according to the design of a building.

FORCE MAJEURE

A clause included in a contract that removes liability for the impacts of unforeseen events (such as natural disasters) that could stop either party from meeting their obligations.

FREE RENT

Free rent is often used to induce tenants to rent in a depressed market, excusing the tenant from paying rent for a stated period once the lease commences. This can include basic and additional rent, but oftentimes the tenant will still be responsible for additional rent and utilities during the free rent period. This also allows the landlord to keep the face rate higher, while offering free rent as an inducement to lower to overall net effective rate for the tenant.

FREESTANDING

A stand-alone structure that is not part of a complex.

FULFILLMENT CENTER

An industrial property type that enables goods to be efficiently moved or transported from a warehouse directly to a consumer.

FULL SERVICE LEASE (SEE GROSS LEASE)**FUNCTIONAL OBSOLESCENCE**

A descriptive term used to characterize a building that cannot be improved to meet current market standards or tastes without a complete replacement of buildings systems and finishes.

G

GEOGRID

A geosynthetic material used to reinforce soils and similar materials, commonly used to provide structure to graveled industrial yards and as subbases or subsoils below structures, as well as to reinforce retaining walls. Soils pull apart under tension, so geogrid allows for the transfer of forces to a larger area of soil, helping to conserve the base.

GRADE LOADING DOOR

A door through which trucks, forklifts, and other machinery or vehicles can enter and exit without a change in elevation.

GROSS ABSORPTION

The total amount of space occupied over a given period of time, without subtracting the amount of space vacated. Also known as LEASING ACTIVITY.

GROSS BUILDING AREA (GBA)

The total interior floor area of a building, usually measured from the inner-most edge of the outside walls.

GROSS LEASABLE AREA (GLA)

A site calculated as the summation of all rentable areas plus all common areas of a building.

GROSS LEASE

A lease of property whereby the landlord (i.e., lessor) pays for all property charges usually included in ownership. These charges can include utilities, taxes, and maintenance, among others.

GROSS UP

An adjustment, accounting for the occupancy level in a building, made to operating expenses. In effect what this means is that a buildings variable expenses are increased to the level that would be incurred if the building were fully occupied (typically 95%).

GROUND LEASE

A lease agreement (contract) whereby the landowner (lessor) agrees to lease a parcel of land for a set period of time to a third party (lessee). Depending on the agreement, the lessor can stipulate what the lessee can or cannot do with the property or build on the property. The lease term can extend for as little as less than one year, up to 99 years. Upon expiration of the lease agreement, the lessor typically gains control and ownership of whatever is constructed on the land, unless the lease is renewed or an exception is created in the lease.

H

HARD MONEY LOAN

An asset-based loan in which a borrower receives funds that are secured by the value of a piece of real estate and often at a higher interest rate than a traditional commercial property loan. They are used for acquisitions, turnaround situations, foreclosures and bankruptcies

HIGH CUBE

A relative term that refers to industrial buildings with an abundance of clear height or vertical cubic space. Also known as HIGH BAY.

HIGH STREET RETAIL

A concentration of shops in urban or urban-like areas that may also be referred to as "Main Street retail" in the United States and Canada.

HOLDOVER TENANT

A tenant who remains in possession of leased property after the lease term expiration.

HVAC

An acronym used to refer to a buildings heating, ventilation and air conditioning systems.

IN-LINE STORE

A retail store placed adjacent to neighboring retailers so that the fronts of the stores are in a straight line and behind what is considered the lease line. Tenants operating in the common area are not considered in-line vendors.

INCUBATOR

An economic development tool created to support new businesses. Typically lab or office space, or both provided for free or at a deep discount, in buildings owned or leased by municipalities. Business assistance and financing opportunities may be provided as startups gain momentum.

INDUSTRIAL BUILDING

A structure used primarily for manufacturing, research and development, production, maintenance, and storage or distribution of goods or both. It can include some office space. Industrial buildings are divided into three primary classifications: manufacturing, warehouse or distribution, and flex.

INFILL

Infill is the development of one or more buildings on vacant parcels within previously built areas, or on underutilized land situated between existing buildings. Infill development is typically done in dense environments where land is scarce. The slightly broader term "land-recycling" is sometimes used.

INNOVATION CENTER OR DISTRICT

Geographic areas with concentrations of entrepreneurial activity that focus on strengthening and growing new businesses and commercializing their products and/or services.

INSTITUTIONAL OWNERSHIP

Real estate owned by pension funds, REITs, money management advisory firms, or life insurance companies, as a long-term placement of capital that provides investment returns that complement or directly match obligations to members, beneficiaries and shareholders.

INTERNAL RATE OF RETURN (IRR)

For income properties, it is the interest or discount rate needed to discount the sum of future net cash flows, including amortization and payments of loans and depreciation of the real property, to an amount equal to the initial equity of the property. For development projects, it is the interest or discount rate needed to convert (or discount) the sum of the development expenditures and incomes to equal zero.

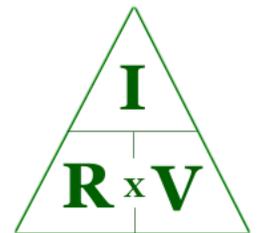
IRV FORMULA (INCOME, RATE, VALUE)

Formula used to estimate value, capitalization rate, or net operating income using the capitalization approach.

Net Operating Income (I) = Capitalization Rate (R) x Property Value (V)

Capitalization Rate (R) = Net Operating Income (I) / Property Value (V)

Property Value (V) = Net Operating Income (I) / Capitalization Rate (R)



INVENTORY

The total number of buildings and total square footage (net rentable area) in the competitive inventory. Buildings under construction are not part of total inventory. Total inventory increases when a new building is delivered and decreases when an existing building is demolished or changes use. Total inventory includes properties under renovation if the building remains inhabitable during the renovation but excludes properties converting to a different use.

Total inventory is typically measured at the submarket and market levels. A description of the characteristics and numeric thresholds that make up the total inventory should be provided. The total inventory figure may vary from one data provider to another as a result of tailored definitions of what constitutes the competitive inventory.

J

JANITORIAL SERVICES

Cleaning and maintenance of a buildings occupied spaces and common areas.

JOINT TENANCY

Ownership of real property by two or more individuals, each of whom has an undivided interest with the right of survivorship.

JUDGEMENT

A formal decision issued by a court relating to the specific claims and rights of the parties to an act or suit.

JUDICIAL SALE

A sale that is conducted under a judgment, order or supervision of a court. The sale may have been ordered under a petition for partition of real estate or an execution or the like. A judicial sale must be based upon an order or a decree of a court directing the sale.

L

LANDLORD (LESSOR)

One who rents property to a tenant.

LAST MILE DELIVERY OR LOGISTICS

The movement of goods from a transportation hub to the final delivery destination. The final delivery destination is typically a personal residence. The focus of last mile logistics is to deliver items to the end user as fast as possible.

LEASE

A contract whereby the landlord grants the tenant the right to occupy defined space for a set period at a specific price (i.e., rent).

LEASEHOLD

A leasehold is an ownership structure in which a temporary right to use land has been granted by the landowner to another party. Although the tenants do not own the land, they are able to improve the land and operate it as stipulated in the ground lease for the term of the lease.

LEED® (LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN)

LEED is a third-party certificate program under the Canada Green Building Council (CaGBC). It is a nationally accepted benchmark for the design, construction and operation of high-performance sustainable buildings. Certificate levels are as follows: Certified, Silver, Gold or Platinum. The levels are based on points obtained in six areas: sustainable sites, water efficiency, energy and atmosphere, material and resources, indoor environmental quality, and innovation in design.

LENDER

A bank, insurance company, pension fund, or other lending institution providing funds for the finance of income producing property. The lender may also be referred to as the mortgagee where the property has been pledged as security under a mortgage.

LETTER OF INTENT (LOI)

A non-binding agreement between two or more parties before an actual agreement, such as a lease, is finalized. It is similar to a term sheet or memorandum of understanding (MOU). While LOIs may not be binding, provisions of them can be, e.g., non-disclosure and exclusivity. The intent is to protect both parties in the transaction until the transaction is executed.

LEVELERS

Steel plates that are moved by auto-hydraulic lifts to make a loading dock level with a truck bed. A fully loaded truck may sit 4 to 6 inches lower than a standard 48-inch-high dock. The device is used to account for the difference so a forklift can be driven into and out of a truck.

LIEN

A charge against property making it a security for the payment of a debt, judgment, mortgage or taxes. A lien constitutes an encumbrance against title to a property and must be satisfied before ownership may be transferred.

LIFESTYLE CENTER

A type of retail property in an urban-like or Main Street setting with pedestrian circulation in the core and with vehicular circulation along the perimeter. Tenants are typically upscale, national-chain specialty stores, restaurants and theaters. (See Retail Building Types Matrix.)

LISTING

An employment contract between principal and agent that authorizes the agent (such as a broker) to perform services for the principal and his property (such as lease or sell the property).

LOADING DOCK

An elevated platform at the shipping or delivery door of a building; it is usually situated at the same height as the floor of a shipping container on a truck or railroad car to facilitate loading and unloading.

LOAN TO VALUE RATIO (LTV)

The loan-to-value (LTV) ratio is a financial term used by lenders to express the ratio of a loan to the value of an asset purchased, expressed as a percentage. Depending on the terms of the loan, lenders have set ratios that they are bound to.

M

MARKET VALUE

The expected price that a property should bring if exposed for lease or sale in the open market for a reasonable period of time and with market savvy landlords/vendors and tenants/purchasers.

MANUFACTURING BUILDING

A facility used for the conversion, fabrication or assembly of raw or partly wrought materials into products or goods.

MARSHALLING AREA

The marshalling area is the space required for transport trucks to pull into the site and back into the loading dock terminal. Generally, a property will require 100' – 120' of marshalling area for tractor trailers to access the building effectively. Also known as MANEUVERING AREA.

M-COMMERCE

Mobile commerce is buying and selling via non-tethered devices such as smartphones and smart tablets.

MEZZANINE OFFICE

Office space that is built in an industrial facility. It is usually along the perimeter of a facility and creates an intermediate floor.

MIXED-USE DEVELOPMENT (MXD)

The grouping of multiple significant uses within a single site or building such as retail, office, residential or lodging facilities. Can include clustering of at least three different uses such as office, retail, residential and/or hotel adjacent to or in close walkable proximity to one another. Uses can be contained in the same building or dispersed in different buildings that are adjacent to or close to one another.

MODIFIED LEASE

A lease in which the landlord receives a stipulated base rent, and payment of the property's operating expenses is divided between the lessor and lessee via specified terms in the lease; also called "Modified Gross," "Net-net" (Double Net), "Net-net-net" (Triple Net), etc., depending on the degree to which the tenant or landlord are responsible for operating costs.

MONTH-TO-MONTH LEASE

A lease agreement without a set term length. It is extendable or cancelable each month by either party.

MULTI-CHANNEL RETAIL

The merging of online and brick-and-mortar retail operations so customers can purchase and return items via more than one "channel." For example, they can buy online and return in store (BORIS), buy online and pick up in store (BOPIS), buy online and pick up at a locker, etc. Also known as OMNI-CHANNEL RETAIL.

N

NET ABSORPTION

The net change in occupied space over a specified period of time. This change is measured in square feet at the building, submarket and market levels. This figure reflects the amount of space occupied as well as the amount of space vacated. Net absorption can be either positive or negative and must reflect increases and decreases in inventory levels.

NET CASH FLOW

Net cash flow is the annual income produced by an investment property after deducting allowances for capital repairs, leasing commissions, tenant inducements (after the initial lease is up) and debt service from net operating income.

NET LEASE

A lease in which the tenant pays a share of operating expenses in addition to the stipulated rent. Disclosure of the specific expenses to be paid directly by the tenant is required.

NET OPERATING INCOME (NOI)

The income generated after deducting operating expenses but before deducting taxes and financing expenses.

NET PRESENT VALUE (NPV)

A measure widely used to determine if the future expected cash flow from a rental property has a present value higher than the funds required to invest in the rental property. This is a way of calculating whether a particular real estate asset will provide a specific target rate of return, so investors can compare different properties on the market.

NEW SUPPLY (SEE DELIVERED)

NON-DISTURBANCE AGREEMENT

The tenant signs this to prevent himself from being evicted if the property owner does not pay its mortgage to the bank.

NON-COMPETE CLAUSE (SEE RESTRICTED COVENANT)

O

OCCUPANCY COST

Includes rent, real estate and personal property taxes, plus insurance, depreciation and amortization expenses.

OCCUPANCY DATE

The date on which the tenant takes possession of the leased premises. An alternate date may be specified as a term of the lease.

OCCUPANCY RATE

The percentage of units in a building, city, neighbourhood, or complex that are currently rented.

OFFICE BUILDING

A structure providing environments that are conducive to the performance of management and administrative activities, accounting, marketing, information processing, consulting, human resources management, financial and insurance services, educational and medical services, and other professional services. At least 75 percent of the interior space is finished to accommodate office users, but the rest of the space can include other uses such as retail, restaurant or fitness.

OFFICE BUILDING TYPES AND SIZES

Low-rise: Fewer than 7 stories above ground level

Mid-rise: Between 7 and 25 stories above ground level

High-rise: More than 25 stories above ground level

OFFICE PARK OR OFFICE CAMPUS

Contiguous acres of land, master-planned with roads, sidewalks and trails, and extensive landscaping that accommodate stand-alone office buildings with adjacent surface parking lots or parking structures.

ONLINE OR PURE PLAY RETAILER

A retailer that sells exclusively online and does not have any brick-and-mortar retail locations.

OPPORTUNISTIC INVESTMENT

Ground-up development of a real estate project is considered an opportunistic investment. It is an investment in a parcel or site that typically involves some or all of the following: rezoning for use or density or both; net new or ground-up construction; conversion of a building from one use to another; complete gut or significant rehab of a building, requiring that it be entirely vacant to complete; introduction of uses not previously seen on this parcel or in this area; etc.

OPTION

A right given to purchase or lease a property upon specified terms within a specified time. If the right is not exercised, the option holder is not subject to liability for damages. If the holder of the option exercises it, the grantor of option must perform the option's requirements.

P

POP-UP RETAIL

A retail store, restaurant or kiosk intentionally designed to be in a location for a finite amount of time (i.e., a restaurant that opens for six months so it can test a market, or a store that operates in a location during the holiday season only).

POWER CENTER

Among the largest types of retail properties, they typically feature three or more big box retailers such as Home Depot, Target and Walmart. Various smaller retailers are usually clustered together in a community shopping center configuration. Power centers are typically made up of multiple large buildings that are one-level, rectangular structures with surface parking in the front and merchandise loading areas in the back. Often, more money is spent on features and architecture at these locations than at big box shopping centers.

PHANTOM SPACE (SEE SHADOW SPACE)

PRELEASED SPACE

The term applies to space that has been leased in a building that is under construction.

PRO RATA SHARE

The percentage that, when multiplied by reimbursable expenses (less an expense stop if referring to a gross lease), equals the amount to be reimbursed by a tenant to the landlord for expense recoveries. Typically, the percentage is calculated by dividing the net rentable area of a tenant's leased premises by the net rentable area of the building, although this is not always the case.

PROPOSED OR PLANNED

A building that has received zoning approval but has not yet started construction.

PUSH-BACK RACK

Racking system with a sliding device that pushes back pallets, thereby allowing multiple pallets to be placed in the same location.

Q

QUANTITY SURVEYOR

A professional adviser to the construction industry. Quantity surveyors are responsible for estimating and monitoring costs, from the feasibility stage of a project until construction is completed. They work closely with architects, financial institutions, engineers, contractors, suppliers, project owners, accountants, insurance companies, solicitors and government authorities.

QUIET ENJOYMENT

The right of a landlord or tenant to use the property without disturbances.

R

RADIO FREQUENCY IDENTIFICATION (RFID)

Inventory-tracking technology embedded in devices that are attached to labels on packages so an item's location can be tracked.

RAIL DOOR

A door that is generally side-loading, that has access to railroad tracks, and that facilitates the loading or unloading of goods from a railroad car to an industrial building.

RAIL SERVICE

A railroad spur adjacent to a building structure that allows the building to be served by rail operations. In Canada, properties can be serviced by either Canadian National Railway Co. (CN) or Canadian Pacific Railway Ltd. (CP) lines.

RAMP DOOR

A dock-high door that has been converted to a drive-in door by creating a ramp from ground level to dock level.

REAL ESTATE INVESTMENT TRUST (REIT)

A REIT is a company that owns or finances income-producing assets, such as apartments, shopping centers, offices and warehouses. It may also invest in air or water rights, unharvested crops, permanent structures and structural components that are part of a structure but don't themselves produce income. Shares of REITs can be traded like stocks and can allow owners of the shares to participate in the real estate market.

REAL ESTATE SYNDICATE

When partners (either with or without unlimited liability) form a partnership to participate in a real estate venture.

RECAPITALIZATION

A term used when owners liquidate some or most of their ownership position in an asset by selling some or most of their equity position.

RECAPTURE CLAUSE

This type of clause allows the landlord to recover possession of a leased property under certain conditions that cancel the lease.

RECEIVERSHIP

Receivership is a process in which a legally appointed receiver acts as custodian of a company's assets or business operations, as with bankruptcies. A bankruptcy court, creditor, or governing body may appoint a receiver. In most cases, the receiver is given ultimate decision-making powers and has full discretion in deciding how to manage received assets.

REDEVELOPMENT

A building or site that involves teardown and rebuilding of most—if not all— structures on that site. This change typically occurs in sought-after areas that are usually well located, where buildings have become unattractive or obsolete or where there is a demand for different uses.

REGIONAL SHOPPING CENTER

Among the largest types of retail properties, the center typically features large anchor tenants that sell general merchandise and fashion. Regional shopping centers were historically configured like traditional suburban malls, but many have evolved to Town Center or Main Street retail formats. Parking is accommodated via surface or structure spaces or both.

RELET SPACE

Sometimes called “second-generation space,” it refers to existing space that was previously occupied by a tenant.

RENEWAL OPTION

The right of a tenant to extend the lease term for a specified period of time at a predefined rental rate. In many instances, the rate is defined as a percentage of market rent, and in other instances, the rate is a specified dollar amount. An auto-renewal option is a type of renewal option whereby the lease term is extended automatically on the expiration date without any notification requirement. Often, there is a date by which this option must be executed; otherwise, the option expires.

RENOVATION

Upgrading and modernizing common areas in a building such as lobbies, bathrooms, parking areas, etc. The tenant remains in the building, and the building use and square footage do not change. Renovation is often done together with a retrofit.

RENTABLE BUILDING AREA (RBA)

The total square footage of a building that can be occupied by or assigned to a tenant for the purpose of determining a tenant's total rental obligation. Generally, RBA includes common areas in the building including hallways, lobbies, bathrooms and phone/data closets. Also known as GROSS BUILDING AREA.

REQUEST FOR PROPOSAL (RFP)

This is a formal request by a prospective tenant or the agent of the tenant to a landlord or an agent of a landlord asking the landlord to submit a proposal for the leasing of a vacant space. The request for proposal states the specific areas of interest to the tenant, such as the space in question, the lease term, rental rate, etc. Proposals from landlords are then used to pre-qualify available space for more intensive review and possible lease negotiation with the building owner.

RESTRICTED COVENANT

A restricted covenant is a clause that can be negotiated into a lease agreement that states the landlord cannot rent space within the same property to a direct competitor of the existing tenant. As an example, if a nail salon has a restricted covenant written into its lease, the landlord cannot lease space to another nail salon within the same property. This provides tenants with the assurance they won't have to deal with a competitor within the immediate area. While not always necessary, this can be beneficial in markets saturated by a certain type of business. Also known as a NON-COMPETE CLAUSE.

RETAIL FLAGSHIP

Flagship stores serve as retailers' main stores and are aimed at serving large numbers of customers. They are found in prominent shopping districts (e.g., Madison Avenue, Savile Row) and target high-income shoppers. They are typically larger than outlet or mall stores and hold large volumes of merchandise. A retailer's primary location, a store in a prominent location, a chain's largest store, the store that holds or sells the highest volume of merchandise, or a retailer's best known location.

RETROFIT

Modernization of building systems such as heating, ventilation and air conditioning (HVAC); security; fire alarms; and energy management. The tenant remains in the building, and the building use and square footage do not change. Retrofit is often done together with a renovation.

RETURN ON INVESTMENT (ROI)

A measure of the value created by a real estate investment. It is the difference between the net gains from investing in the property less the net cost from investing in the property divided by the purchase price of the property. Usually, it is reported as a percentage.

RIGHT OF FIRST OFFER OR FIRST OPPORTUNITY (ROFO)

This type of condition gives the tenant or other party the right to exercise the first opportunity to lease or buy space if the owner decides to sell or lease. The landlord does not have to have a legitimate offer that the tenant can then match or refuse. If the parties cannot agree on terms, the property can then be sold or leased to a third party.

RIGHT OF FIRST REFUSAL (ROFR)

This type of condition gives the tenant the right to match the terms of a proposed contract to lease or buy a space before that contract is executed. The owner must have a legitimate offer that the tenant can match or refuse. If the tenant refuses, the property can then be sold or leased to the party making the original offer.

S

SALE LEASEBACK

An owner-occupied property that is sold to a third-party investor. The previous owner becomes the tenant that pays rent to the new owner. This tactic allows property owners to convert their ownership (equity) into cash while still occupying the property. The seller's (now the tenant's) lease term must be for two or more years.

SECURED COMPARTMENTAL INFORMATION FACILITY (SCIF)

Highly secure space that meets specialized design guidelines and restrictions for building systems relating to data, power, communications, security, ductwork, ventilation and more. The highly controlled facilities are required by firms such as defense contractors or law firms that deal in sensitive industries.

SECURITY DEPOSIT

A cash payment required by a landlord to be held during the term of a lease to offset damages incurred due to actions of the tenant.

SERVICE CENTER OR SHOWROOM

A type of flex industrial facility characterized by a substantial showroom area, usually fronting a freeway or major road.

SHADOW SPACE

A portion of leased space that is not being used by the tenant. This area can include unused space that a tenant leased and is holding for expected future growth. It can also include unused space that was previously occupied but is no longer used as a result of downsizing the company's workforce. Shadow space is difficult to measure because it is not officially marketed or tracked in industry databases. Also known as PHANTOM SPACE.

SHELL SPACE

Space within a property that is currently not built out.

SHORT SALE

When the sale price of an asset is less than the amount owed to the lender and when the lender accepts this amount as full payment for the loan. Those funds not repaid to the lender will be written off.

SIDE-LOADING DOCK

A loading dock configuration designed to facilitate the loading and unloading of a vehicle through its side.

SINGLE-PHASE POWER

Used in most homes and small businesses, it is able to supply power for most smaller customers, including homes and small, non-industrial businesses. It is adequate for running motors up to about 5 horsepower; a single phase motor draws significantly more current than the equivalent 3-phase motor, making 3-phase power a more efficient choice for industrial applications. See THREE-PHASE POWER for alternative.

SITE COVERAGE RATIO

The ratio of the building's footprint to the total site size, expressed as a percentage. This ratio is generally utilized with industrial facilities.

SPACE PLAN

This is typically a graphic depiction of the leased space or of the requirements of the tenant for the leased space. It is usually prepared in accordance with local building codes by an architect or space planner. The depiction typically shows the location of walls and doors, the size of rooms and proposed furniture layouts.

SPECULATIVE (SPEC) DEVELOPMENT

A land development or construction project where no formal commitment from end-users of the development has been secured. Usually undertaken based on optimistic projections for space demand growth. Speculative development may result in overbuilding, creating imbalances in supply and demand.

SQUARE FEET

The usual method by which rental space is defined in Canada and United States. It is the area of a space, calculated by taking the length times width. For example, a building 80 feet by 100 feet has an area of 8,000 square feet.

STABILIZED CAP RATE

A stabilized cap rate is the ratio between the net operating income produced by a property upon achieving target occupancy, and its purchase value.

STACKING PLAN

A floor-by-floor and suite-by-suite graphical representation of each floor and suite within a building. The plan shows the suite number, the square footage of each suite and the tenant occupying each. On many stacking plans, lease expiration dates are also provided to give a quick view of the occupancy exposure within a building.

STOCK (SEE TOTAL INVENTORY)

STOP WORK ORDER

Directive ordering a halt to construction work issued by a Building Official to a builder, generally for breaches of building code regulations or failure to adhere to construction documents approved under a building permit.

STRAIGHT-LINE RENT

The accumulation of rental income (including months that have free rent, discounted rent and fixed-rent increases) divided by the term of the lease will generate a straight-line rent. Straight-line rent provides a way to compare rents on various properties using a consistent methodology.

STRIP SHOPPING CENTER

A strip shopping center is an attached row of stores or service outlets that are managed as a coherent retail entity with onsite parking usually located in front of the stores. Open canopies may connect the storefronts, but a strip center does not have enclosed walkways linking the stores. A strip center may be configured in a straight line or may have an “L” or “U” shape.

SUBLEASE

The leasing of space that is offered indirectly by a tenant rather than directly by a landlord. The sublease and subtenant must be approved by the landlord, and this structure allows for a tenant to capitalize on unused space that they are paying the landlord directly for in their lease.

SUBURBAN

Suburban means a geographic area that contains a variety of property types arranged in a setting that is less dense than neighboring urban areas. This broad term can be defined or measured a number of ways and is often defined relative to urban and exurban areas.

SUBSTANTIAL COMPLETION

A premises is deemed to be substantially completed when all of the tenant improvements to the premises have been completed in compliance with the specifications of the tenant.

SUPER FLAT FLOORS

Concrete floors with minimal variations in elevation from point to point. The floors are found primarily in warehouses with automated systems. Precisely calibrated and leveled picking machinery and racks require level flooring to ensure proper operation.

SUSTAINABLE DEVELOPMENT

In commercial real estate (CRE), this term generally means the practice of developing, redeveloping and operating CRE in ways that cause zero, minimal or improved environmental impact.

I

TERMINATION CLAUSE

A clause found in a legal agreement that allows for the agreement to be terminated, or ended, under circumstances specified in the clause by either the tenant, landlord, or both.

TENANCY AT WILL

A license to occupy or use lands and buildings at the will of the landlord.

TENANCY IN COMMON (TIC)

An estate held by two or more persons, each of whom has an undivided interest, which means that each party has the right to sell or transfer the ownership of his or her ownership interest at any time.

TENANT (LESSEE)

One who, under a lease, is given temporary possession and the right of use of a property, or portion thereof, by the landlord for a specified period and for a specified periodic consideration. Also known as the lessee.

TENANT IMPROVEMENTS

These are changes to a property made to accommodate the specific needs of a tenant. Tenant improvements include moving interior walls, changing floor or ceiling coverings, adding shelves, toilets, windows, etc. The cost of tenant improvements may be born by the landlord or by the tenant, depending upon the conditions negotiated in the lease. Tenant improvements typically remain after lease expiry.

THIRD-PARTY LOGISTICS (3PL)

Businesses that provide one or more logistics services including multi-client warehousing, contract warehousing, transportation management, distribution management, inventory management and freight consolidation.

THREE-PHASE POWER (3-PHASE)

Common in large businesses, as well as industry and manufacturing around the globe, also increasingly popular in power-hungry, high-density data centers. 3-phase allows for smaller, less expensive wiring and lower voltages, making it safer and less expensive to run for industrial uses.

To illustrate the difference between single phase and three phase, imagine a lone paddler in a canoe. He can only move himself forward while his paddle moves through the water. When he lifts the paddle out of the water to prepare for the next stroke, the power supplied to the canoe is zero. Now picture the same canoe with three paddlers. If their strokes are synchronized so each is separated by 1/3 of a stroke cycle, the canoe receives constant and consistent propulsion across the water. More power is supplied and the canoe moves across the water more smoothly and efficiently.

TOTAL INVENTORY

The total number of buildings and total square footage (net rentable area) in the competitive inventory. Buildings under construction are not part of total inventory. Total inventory increases when a new building is delivered and decreases when an existing building is demolished or changes use. Total inventory includes properties under renovation if the building remains inhabitable during the renovation but excludes properties converting to a different use.

TOWN CENTER

A historical term used to refer to the commercial, civic or geographic center of a community. Today, the term is associated with retail and has come to be known as a robust retail cluster with civic or open spaces in proximity to a variety of uses such as residential, office, retail and hotel.

TRADITIONAL OUTLET

The tenants offer a discount version of mainstream retailers and are often called "factory stores." They usually focus on apparel. Traditionally, the stores have been located far outside a city center. The outlets are designed as a destination or tourist magnet.

TRADITIONAL RETAILER

A retailer that started selling in brick-and-mortar locations but that now also sells items online.

TRANSIT SCORE

Transit score is a number between 0 and 100 that measures the relative usefulness of nearby routes.

TRANSIT-ORIENTED DEVELOPMENT (TOD)

Real estate projects that are built around transit to maximize access to shared transportation modes. Typically, the TOD project is dense and walkable, and it includes a mix of uses such as residential, office, retail, hotel and entertainment.

TRIPLE NET LEASE OR NET-NET-NET LEASE

A lease agreement whereby the tenant pays taxes, maintenance and property insurance as well as all operating costs associated with the tenant's occupancy, including personal property taxes, janitorial services and all utility costs. The landlord is responsible for the roof and the structure and sometimes the parking lot. This is the most common type of commercial lease structure.

TROPHY BUILDING

A landmark property that is located in a highly desirable submarket, is designed by a recognized architect, and features high-end finishes and modern or efficient systems. This building commands among the highest rents in the market and is more than 80 percent occupied by the market's premier tenants. It is highly sought after by institutional investors such as pension funds and insurance companies as well as by foreign investors.

TRUCK COURT

Exterior area adjacent to an industrial building's loading docks where trucks maneuver. The most important measure of the truck court is the depth from the building to the end of the truck court. Greater depth allows for greater maneuverability and better accommodates multiple trucks.

TRUCK TERMINAL

This specialized industrial distribution building for redistributing goods from one truck to another serves as an intermediate transfer point. The facilities are primarily used for staging loads (rather than long-term storage) and possess very little, if any, storage area.

TRUCK-TURNING RADIUS

The tightest turn a truck can make, depending on several variables such as truck configuration, trailer size and location of adjacent objects that obstruct the inner turning radius.

TRUSS

A framework of beams forming a rigid structure in the roof.

TRUSS HEIGHT

Distance from the floor to the bottom edge of a truss used to support the ceiling or roof of a building. If there are hanging objects, beams or joists below the truss, the clear height will be lower than the truss height.

TURN-KEY CONSTRUCTION

A development where the landlord assumes responsibility for the total completion and cost of improvements made to a property pursuant to the specific requirements and specifications of the tenant. Turnkey tenant improvements are provided at the expense of the landlord according to plans and specifications previously agreed upon by the parties. The landlord bears the risk of construction in a turnkey situation.

U

UNDER CONSTRUCTION

A building is under construction when construction permits have been obtained and site excavation has begun. If a site is being redeveloped, demolition of existing structures does not necessarily indicate that construction has begun. Sites are sometimes cleared years in advance of a groundbreaking.

UNDER RENOVATION

A building is typically under renovation when construction permits have been obtained and demolition has begun. A building is under renovation if it remains inhabitable by tenants during the construction. If an existing building is gutted extensively (i.e., elevators and bathrooms do not function and it can, therefore, not be occupied by a tenant), then the building should be removed from inventory and redelivered when the occupancy permit is issued.

URBAN

Urban areas are commonly identified with a city, are typically built on a traditional street grid, have consistent building setbacks, have sidewalks and usually include multiple-story buildings.

USABLE AREA

This relative term is best compared to rentable area. Usable area is the amount of space that can actually be used by tenants within the space they lease. For example, columns inside a tenant space are counted in the measure of rentable area, but the space occupied by the column cannot be used by the tenant. A tenant's usable area does not include common areas in the building.

V

VACANCY RATE

A measurement expressed as a percentage of the total amount of vacant space divided by the total amount of inventory. This measurement is typically applied to a building, a submarket or a market.

VACANT SPACE

Inventory that is not currently occupied. If subtenant space is excluded from the calculation, the term "direct vacant space" is recommended.

VALUATION

A formal process of establishing the value of a property from an objective and independent point of view. A formal valuation can only be provided by a qualified Appraiser who has the necessary qualifications and training. Also known as APPRAISAL.

VALUE ADD INVESTMENT

An investment in a real estate asset with existing cash flow (and value) that can be increased by raising occupancy, rents or both. Owners typically carry out one or more of the following to add value to a building: improve or replace building systems, provide new finishes, introduce new amenities, improve access or circulation to the building, add square footage, etc.

VALUE ENGINEERING

A reduction in costs or an increase in benefits of a project through redesign, prioritization or other similar actions.

VARIANCE

Government authorization to use or develop a property in a manner which is not permitted by the applicable zoning regulations.

VOLTS

Unit of measure of electrical pressure.

W

WALK SCORE

Walk score is a number between 0 and 100 that measures the number of amenities such as retail, businesses, parks, theaters and schools that can be accessed by foot inside a 1-mile radius from a particular address.

WAREHOUSE

An industrial facility primarily used for the storage or distribution or both of materials, goods and merchandise.

WORK LETTER

A legal document that outlines the obligations of the landlord relative to the improvements necessary to prepare leased premises for a tenant's occupancy. Items typically found in a work letter include a description of the improvements, the cost thereof, and the portion of the cost to be paid by the landlord, the completion date and the insurance requirements of contractors performing the improvements.

WORKING DRAWINGS

Architectural drawings prepared by a licensed architect detailing the exact specifications of construction work, to be completed by contractors in the construction of tenant improvements. Also referred to as construction drawings.

Y

YIELD

A measurement of the future income an investment property is expected to bring in. Yield is calculated annually as a percentage of the cost (or market value) of the asset. Yield is particularly important to commercial real estate investors, because it is usually the main source of income they expect to receive from their investments. Capital growth rates for commercial buildings are often not as high as for residential properties, so the yield on this type of purchase is often a more important factor when deciding whether to buy.

Gross yield is the income expected to be received before expenses; net yield takes into account running costs of the property, including maintenance costs, management fees and so on.

Z

ZONE

An area, delineated by a governmental authority, which is authorized for and limited to specific uses.

ZONING ORDINANCE

A law by a local governmental authority (e.g., city or county) that sets the parameters for which the property may be put to use.

Source: The NAIOP Research Foundation, 2017.

Citation: Maria Sicola, "Commercial Real Estate Terms and Definitions." March, 2017. The NAIOP Research Foundation.

Source: Lennard, "Glossary".

Source: LoopNet, "Commercial Real Estate Glossary."

Source: Staff Writers @ CommercialRealEstate.com.au, "Glossary Of Commercial Real Estate Terms: Get To Know Your Jargon." December 28, 2015

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