

Real Estate Glossary

Absorption Rate

An estimate of the expected annual sales or new occupancy of a particular type of land use.

Acre

43,560 square feet

Ad Valorem Tax

A tax based on the value of the property being taxed. Cities, counties and school districts typically raise most of their tax revenue from ad valorem taxes on real estate.

Apportionment

- ✓ The prorating of property expenses, such as taxes and insurance, between the buyer and the seller.
- ✓ The partitioning of property into individual parcels by tenants in common.
- ✓ The allocation of unit value to various counties in which a railroad or public utility operates. Unit value is the value of an entire business entity, particularly a railroad or a public utility. The taxes paid to each county are no more or no less than the unit value of the business entity.

Appreciation

An increase in the value of property, which may result from inflation, demand pressures for land and buildings, a physical addition, modernization or removal of a negative factor from within or outside the property.

Assessment Value or Valuation

The value established for property tax purposes. Those taxes are based on the amount assessed, typically the amount of tax per \$100 of value. The assessment ratio is the ratio of assessed value compared to market value.

Build to Suit

An arrangement whereby a landowner offers to pay to construct on his or her land a building specified by a potential tenant and then turn leases that land and building to the tenant. Typically a portion of the cost is built into the lease agreement.

Certificate of Occupancy (C/O)

A document issued by local government to a developer permitting the structure to be occupied. Issuance of the certificate generally indicates the building is in compliance with public health and building codes.

Class of Property

A subjective division of buildings by desirability among tenants and investors. Criteria include age, location, construction quality, attractiveness of style, level of maintenance, etc. The classes may be based on standards for market acceptance or the type of construction materials used. Classes based on market acceptance are not equivalent to those based on construction materials.

Class A Building

High quality, well designed, using above-average materials, workmanship and finish; sought by investors and prestigious tenants; excellently maintained and very well managed, especially if the building is more than 10 years old. Attractive and efficient, these buildings are the most desirable in their markets.

Class B Building

Offers useful space without special attractions. Has functional layout and design, though not unique. Average to good maintenance and management. Typically 10 to 50 years old.

Class C Building

Typically an older building that offers space without amenities. Average to below-average maintenance and management, average to poor mechanical, electrical, ventilation systems. Attracts moderate-to-low income tenants who need affordable space.

Common Area Maintenance (CAM)

The amount of additional 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: hallway upkeep, wash room cleaning and supplies, snow removal, outdoor lighting, parking lot sweeping, insurance, property taxes, etc. Most often, this does not include any capital improvements that are made to the property.

Construction Type

Masonry	Concrete Block
Steel Frame	Steel Framing Materials
Wood Frame	Lumber or Wood Framing Materials
Modular	Pre-Built walls created off-site and delivered complete and ready for installation (steel or wood framing materials or pre-cast panels)
Pre-cast	Pre-cast walls created off-site, delivered to the site and tipped up in place (concrete)
Manufactured	Pre-built walls crated off-site, partially disassembled and delivered to the site and reassembled for installation (steel or wood framing materials or pre-cast panels)

Covenants and Conditions

Limitations (restrictions) placed upon the use of property, contained in the deed or other written instrument such as the title or local zoning ordinances pertaining to land use. Also called encumbrance.

Depreciation

An annual tax deduction for wear and tear and the loss of utility of a property.

Encumbrance

Any right to or interest in land that affects its value. These may include outstanding mortgage loans, unpaid taxes, easements or deed restrictions.

Flex Space

This is principally industrial property where space can be apportioned in variable amounts to offices, research laboratories or industrial purposes. Often times flex space is needed to accommodate various users with changing needs.

Gross Area

The total floor area of a building, usually measured from its outside walls.

Gross Square Foot

A unit of measurement of a building from outside the exterior walls.

Lease Definitions

Full Service Gross

A property lease whereby the landlord/owner pays all operating expenses, such as custodial services, maintenance and repairs, utilities, insurance and ad valorem taxes.

Gross

A property lease whereby the landlord (lessor) is responsible for paying all property expenses, such as taxes, insurance, utilities and repairs.

Net

A property lease whereby, in addition to the rent stipulated, the lessee (tenant) pays such expenses as taxes, insurance and maintenance. The landlord's rent receipt is thereby 'net' of those expenses. In practice, various levels of net leases are often used to designate arrangements where the tenant pays only some types of expenses and the landlord pays other types.

Double Net

A property lease whereby, in addition to the rent stipulated, the lessee (tenant) pays taxes and insurance expenses that arise from the use of the property. The landlord pays maintenance expenses.

Triple Net

A property lease whereby the lessee (tenant) pays all the operating expenses of the property. The landlord receives a 'net' rent. Operating expenses may include taxes, insurance, utilities, repairs, custodial services and license fees. Any debt service and the landlord's incomes taxes are the responsibility of the landlord.

Lineal Foot

A measure of one foot, in a straight line, along the ground.

Metropolitan Statistical Area (MSA)

One or more counties that have a population of at least 50,000. A consolidated Metropolitan Statistical Area (CMSA) is an area with two or more Primary Metropolitan Statistical Areas (PMSA) A CMSA must also include at least one million people. A Micropolitan Statistical Area is an urban cluster of 10,000 – 49,999 inhabitants.

Recapture Clause

A clause within a contract that permits the party who grants an interest or right to take that interest or right back under certain conditions.

Tenant Improvements (TI)

These changes accommodate specific needs of a tenant and typically apply to office, retail or industrial prosperities. They may include moving interior walls or partitions, carpeting or other floor covering, shelves, windows, toilets, etc. The cost of tenant improvements is negotiated in the lease.

Vacancy Rate

The percentage of all units or space that is unoccupied or not rented.

Source: Barron's Dictionary of Real Estate Terms, Building Owners and Managers Association (BOMA)