

Commercial Real Estate Glossary



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Commercial Real Estate Terms and Definitions

These terms are for your information only, with the caveat that these terms may have different meanings or references in different markets, locally and in different countries. These are not definitions that may be used at law, and no legal advice is given in providing these definitions. Always consult a legal professional if you require the legal definition of a word.

Unfortunately, the regionality of commercial real estate means that several different terms have often been used to mean the same thing. Those additional terms most commonly used have been incorporated as appropriate, but the inclusion of those is not exhaustive, and other terms may be used.

Development Terminology

This section contains a collection of terms and concepts used in the commercial development of land and buildings. Included are the various stages of the development process, and types of development and redevelopment projects.

Development Process and Asset Lifecycle

Below are the general categories typically used to define the development process and the asset lifecycle.

1. Purchase land or assets.
2. Assess general economic conditions.
3. Assess the capital markets and obtain financing.
4. Assess the space markets.
5. Understand demographics and social forces.
6. Develop a master plan or site plan.
7. Design the base building or interiors.
8. Obtain entitlements and permits.
9. Lease the project.
10. Construct the project.
11. Operate and maintain the building.
12. Sell the asset.

Building Status Definitions

Delivered

A building has completed construction (i.e. obtained its certificate of occupancy: COO). With a COO, the property will be considered delivered whether or not tenants have occupied the space. (Synonyms: completion; new supply)

Letter of Intent (LOI)

A letter of intent is an agreement(s) 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, for example non-disclosure and exclusivity. The intent is to protect both parties in the transaction until the transaction is executed, and move the transaction forward.

Proposed or Planned

A building that has received zoning approval but has yet to start construction.

Under Construction

A building is under construction when all various 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.

Types of Development and Redevelopment Projects

Adaptive Reuse

A building converted to a different use to meet current demand. Examples include a factory converted to retail use or an office building converted to residential. (Also see conversion)

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 unique design features not commonly found in the market, thus the tenant requires 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.

Conversion

A building that is changed from one use to another (i.e., an office building that is converted to a multifamily building). Space being converted is removed from current inventory and included in the under construction category for the planned future use (i.e., an office building being converted to an apartment building will be removed from office inventory and included under apartment space, or number of units, under construction). (Also see Adaptive Reuse)

Infill

Infill is the development of one or more buildings on underutilized land situated between existing buildings. Infill development is typically done in dense environments where land is scarce. The slightly broader term or “land-recycling” is sometimes used; as is “densification” or “land densification”.

Redevelopment

A building or site that involves teardown and rebuilding of most—if not all— structures on that property. 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. May be part of a densification too.

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.

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.

Speculative

A building developed and constructed without any preleasing in place. Construction commences without a prelease when the developer believes there is so much demand for that type of building in that market or submarket that a lease commitment is bound to come through.

Measurement Terminology

This section provides information about metrics and measures used to define and quantify market, parcel and building elements.

Location and Site Definitions***Air Rights***

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

Brownfield

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

Exurban

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

Floor Area Ratio (FAR)

Also called Floor Space Ratio (FSR) or Floor Space Index (FSI). 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. Zoning often dictates FAR.

Market and Submarket

In commercial real estate (CRE), the terms “market” and “submarket” have many characteristics.

1. Hierarchy: In terms of geographic hierarchy, a region is made up of markets, and a market is made up of submarkets.
2. Boundaries: Markets and submarkets have generally accepted geographic boundaries that do not overlap. They are most commonly bound by streets, roads and natural features such as parks and rivers, which clearly indicate where one market or submarket ends and another begins.

3. Purpose: Markets and submarkets are the foundation upon which analysts track real estate fundamentals such as vacancy, absorption, rents and construction activity.
4. Markets and submarkets are further broken down by total buildings and by total square footage in those buildings.
5. Product types: Office and industrial product types may share generally accepted market or submarket boundaries because office space tends to be clustered together as does industrial space. However, there may also be separate and distinct boundaries for each respective property type. Suburban retail is more closely tied to residential and, therefore, is dispersed across large geographic areas, whereas urban retail is typically clustered in specific areas or on specific streets.

Submarket

Submarkets are geographic divisions of markets. These smaller divisions or boundaries are generally recognized and accepted by the real estate industry and the business community in a market and region. Submarkets are geographic boundaries that delineate core areas that are competitive with one another, and together they constitute a generally accepted secondary set of competitive areas. In the real estate industry, submarkets are building-type specific and are nonoverlapping contiguous geographic designations with a cumulative sum that matches the boundaries of a market. They contain properties sufficient to provide meaningful information for aggregate statistics.

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.

Town Center

A historical term used to refer to the commercial, civic or geographic center or hub 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.

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.

Transit Score

Transit score is a number between 0 and 100 that measures the relative usefulness of nearby routes. “Usefulness” is typically measured by a weighted algorithm of characteristics such as distance to the nearest stop; mode of the route such as bus, ferry or rail; and frequency of service.

90–100	Rider’s Paradise World-class public transportation
70–89	Excellent Transit Transit convenient for most trips
50–69	Good Transit Many nearby public transportation options

25–49	Some Transit A few nearby public transportation options
0–24	Minimal Transit Possible to get on a bus

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.

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.

90–100 Daily errands do not require a car	Walker’s Paradise
70–89 Most errands can be accomplished on foot	Very Walkable
50–69 Some errands can be accomplished on foot	Somewhat Walkable
25–49 Most errands require a car	Car-dependent
0–24 Almost all errands require a car	Car-dependent

Base Building Definitions

Common Area

The generally accessible areas found on each floor of a commercial real estate property 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) in office properties.

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.

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.

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.

Load Factor or Core Factor

The load factor is calculated by dividing the rentable building area (RBA) by the usable area. This factor can then be applied to the usable area to convert it to RBA for comparison. In markets where space is leased based on the usable area, if the load factor is 15 percent, then the usable area can be multiplied by 1.15, resulting in the RBA. (Synonym: add-on factor)

Shell Space

Space within a property that is currently not built out. It is also called “Schedule C Space”. A “warm shell” space has utilities distributed within the space. A “cold shell” space has no distribution of utilities.

Year Built

The year the building was delivered to the market as a result of completed construction.

Year Renovated

The year the building last received a certificate of occupancy (COO) for a major renovation.

Energy and Natural Resource Efficiency Definitions

The real estate industry has developed rating systems as well as its own lexicon to capture and quantify efficiency measures, as environmental awareness has grown. Some of the systems, especially those that pertain to ratings, have been developed by government agencies.

Energy Star®

Also referred to as an “EPA rating” or an “Energy Star rating,” the rating is a standardized national benchmark that helps architects and building owners assess energy use relative to similar buildings in the program. An Energy Star-qualified building means the building meets EPA criteria for energy efficiency and displays the Energy Star building label.

Green Globes®

Founded in Canada in 1996, Green Globes is a green building guidance and assessment program that offers a way to advance the overall environmental performance and sustainability of commercial buildings. After achieving a minimum of 350 of the total number of 1,000 points, new and existing commercial buildings can be certified for their environmental achievements and sustainability by pursuing a Green Globes certificate that assigns a rating of one to four globes.

LEED® (Leadership in Energy and Environmental Design)

LEED is a third-party certificate program under the Green Building Council (GBC) in various countries. It is an internationally accepted benchmark for the design, construction and operation of high-performance sustainable buildings. Certificate levels are: 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.

Sustainable Development

In commercial real estate (CRE), this term generally means the practice of developing, redeveloping to an environmental standard.

Space, Markets and Leasing Terminology

Data that helps provide information about the health of real estate buildings and real estate markets. Real estate metrics run from measures of inventory and available space to indicators of leasing activity, rents, concessions and various forms of leases.

Space and Lease Definitions

Abatement

Often and commonly referred to as free rent and may occur outside or within the primary term of the lease.

Above Building Standard

Upgraded finishes and specialized design necessary to accommodate a tenant's requirements.

Absolute Net Lease

A type of lease where the tenant is responsible for every imaginable cost associated with the property including continuing to pay rent after condemnation or rebuilding upon any amount of property destruction. It is analogous to a vehicle lease. It is only found in single tenant properties. It is also known as the "Hell or High Water Lease" because of the onerous provisions in this type of lease.

Absorption

The rate, expressed as a percentage, at which available space in the marketplace is leased during a predetermined period of time. Also referred to as "Market Absorption" or "Net Absorption".

Absorption Rate

The net change in space available for lease between two dates, usually expressed as a percentage of the total square footage. Can also be the length of time to lease or release space, measured in weeks or months.

Ad Valorem

According to value. This is a tax imposed on the value of property (usually referred to as a general property tax), which is typically based on the local government's valuation of the property.

Add-On Factor

Often referred to as the Loss Factor or Rentable/Usable (R/U) Factor or "Load Factor", it represents the tenant's pro-rata share of the Building Common Areas, such as lobbies, public corridors and restrooms. It is usually expressed as a percentage which can then be applied to the usable square footage to determine the rentable square footage upon which the tenant will pay rent.

Additional Rent

Often, and incorrectly, used to categorize charges to the tenant in addition to the base rent and percentage rent, such as discussing triple net charges. In fact, it is a legal term in bankruptcy that applies to any and all charges to a tenant other than base rent. In practice, Additional Rent due the landlord can only be calculated upon a bankruptcy of the tenant. The more correct phrase to use in place of Additional Rent when discussing items such as triple net charges is Occupancy Charges. See "Occupancy Charges".

Allowance Over Building Shell

Most often used in a yet-to-be constructed property, or a retail property, the tenant has a blank canvas upon which to customize the interior finishes to their specifications. This arrangement caps the landlord's expenditure at a fixed dollar amount over the negotiated price of the base building shell. This arrangement is most successful when both parties agree on a detailed definition of what construction is included and at what price. This is also

known as a “Tenant Improvement Allowance”.

Anchor Tenant

The major or prime tenant in a building, retail property, or mixed use development. It functions as the major draw to the building or is a highly beneficial co-tenancy to other tenants in the property.

Arbitration

A procedure in which a dispute is submitted, by agreement of the parties, to one or more arbitrators who make a binding decision on the dispute. In choosing arbitration, the parties opt for a private dispute resolution procedure instead of going to court.

Area Certification

A certificate, signed by an architect or land surveyor that should be provided by the Landlord as to the area(s) that comprise the rentable area of the Premises. See “Area Measurement”.

Area Measurement

An exact onsite measurement of the premises and the common areas conducted by an architect, a drafts person under an architect’s supervision, or a land surveyor. The measurement is done in accordance with either a uniform standard such as the BOMA Measurement Standard for each type of property, or according to a definition of the Area Measurement contained in the Lease, if the BOMA standard is not used. The results of the measurement are then certified in a document called the Area Certification. See “BOMA”.

Artificial Breakpoint

Also called “Unnatural Breakpoint”. A negotiated sales hurdle that must be met before the tenant is obligated to pay percentage rent. It is an alternative to the Natural Breakpoint.

Asking Rent

The rent amount asked by landlords for available space, expressed in dollars per square foot or meter per year in most parts of the country (and per month in areas of California and other selected markets). (Synonym: face rate)

“As-Is” Condition

The acceptance by the tenant of the premises in their existing condition at the time the lease is executed. This would include acceptance of any physical defects, code violations, pre-existing improvements, or problems with the physical and legal condition of the premises. A more onerous wording is “As-Is, Where-is with all faults”.

Assessment

A fee imposed on property, usually to pay for public improvements such as water, sewers, streets, improvement districts, which are specific to the property or its general location. Not to be confused with a “Property Assessment” which may mean either an inspection of the property, or a valuation of the property. See Property Assessment.

Assignment

A transfer by tenant of tenant’s entire leasehold estate in the property, which is then assumed by the assignee. Distinguishable from a “Sublease” where the subtenant acquires something less than the tenant’s entire interest. Assignments often occur as part of a sale of the tenant’s business, merger or consolidation.

Assignor

The party transferring the entire leasehold interest in a property to another party. The other party to whom the interest is being transferred to is called the Assignee (see above).

Attorn

To turn over or transfer to another money or goods. To agree to recognize a new owner of a property and to pay him/her rent. In a lease, when the tenant agrees to attorn to the purchaser or foreclosing lender, the lessee accepts the successor party as landlord.

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. If sublet space is excluded from the calculation, the term "direct available space" is recommended.

Bankruptcy

Also known as insolvency, where a party's liabilities exceed its assets, and by filing bankruptcy the party seeks protection from creditors, stays proceedings against it, but largely turns over control of its affairs to the court, a trustee, and perhaps approval of creditors. In a lease context, the tenant filing bankruptcy typically requires either affirmation or termination of the lease within a short period of time. Should a landlord file bankruptcy, it is likely that a trustee or receivers would be appointed by the court to act for the landlord, receive the rents, and operate the leased building. Proceedings under federal statutes in the USA and Canada act to relieve a debtor who is unable to pay its debts. After addressing certain priorities and exemptions, the bankrupt's property and other assets are distributed by the court to creditors in full satisfaction for the existing debt. See also: "Chapter 11", a reference to USA bankruptcy law; or "CCA" under Canada's bankruptcy laws.

Base Rent

Also known as "Basic Rent" or "Minimum Rent". A set amount used as a minimum rent in a lease, sometimes with provisions for increasing the rent over the term of the lease either in specified increments (also known as "Rent Steps", by a percentage or some other negotiated formula). When used in conjunction with a Net Effective Rent calculation this type of rent is also referenced as the "Face Rate". See also "Escalation Clauses, Operating Expense Escalation and Percentage Lease".

Base Year

Actual taxes and operating expenses for a specified base year, most often the year in which the lease commences. Once the base year expenses are known, the lease essentially becomes a "Rent Stop" or "Dollar Stop" lease, meaning that the tenant pays the increases in taxes and operating expenses in excess of the base year figures.

Below-grade

Any structure or a portion of a structure located underground or below the surface grade of the surrounding land.

Blend and Extend

A blend and extend lease is a type of renewal that allows tenants 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 should lower the current rental rate. The tenant benefits by an immediate reduction in the rental rate, and the landlord benefits by securing a tenant for a longer term. Conversely, if rents are rising quickly and lease expiration is approaching a tenant may renew early and extend to lock in lower rates.

BOMA

An acronym for the Building Owners Management Association. BOMA provides a number of services including being the stewards of the area measurement set out by the American National Standards Institute (ANSI). There is a suite of floor measurement standards for a variety of property types, including:

- [Office \(ANSI/BOMA Z65.1\)](#)
- [Industrial \(ANSI/BOMA Z65.2\)](#)
- [Gross Areas \(ANSI/BOMA Z65.3\)](#)

- Multi-Unit Residential (ANSI/BOMA Z65.4)
- Retail (ANSI/BOMA Z65.5)
- Mixed-Use (ANSI/BOMA Z65.6)

Building Classifications

Building classifications in most markets refer to Class “A”, “B”, “C” and sometimes “D” or “Heritage” office, and sometimes industrial/warehouse properties. While the rating assigned to a particular building is very subjective and relative to the market, Class “A” properties are typically newer buildings with superior construction and finish, in excellent locations with easy access, attractive to credit tenants, and which offer a multitude of amenities such as on-site management or covered parking. These buildings, of course, command the highest rental rates in their sub-market. As the “Class” of the building decreases (i.e. Class “B”, “C” or “D”) one component or another such as age, location or construction of the building becomes less desirable. Note that a Class “A” building in one sub-market might rank lower if it were located in a distinctly different sub-market just a few miles away containing a higher end product. These classifications for office buildings are not used in retail properties, which uses a different classification based on size, types of tenants, and the size of the market the property draws from.

Building Code

The various laws set forth by the ruling municipality as to the end use of a certain piece of property and that may with varying levels of detail dictate the criteria for design, materials and type of improvements allowed, and safety measures which may be required.

Building or “Core” Factor

Represents the percentage of Net Rentable Square Feet devoted to the building’s common areas (lobbies, rest rooms, corridors). This factor can be computed for an entire building or a single floor of a building. Also known as a Loss Factor or Rentable/Usable (R/U) Factor, it is calculated by dividing the rentable square footage by the usable square footage. It is often called the Load factor that is applied to the tenant’s rentable area.

Building Standard

A list of construction materials and finishes that represent what the Tenant Finish Allowance/Work Letter is designed to cover while also serving to establish the landlord’s minimum quality standards with respect to tenant finish improvements within the building. Examples of standard building items are: type and style of doors, lineal feet of partitions, quantity and quality of lighting or heating/cooling, and quality of floor covering.

Building Standard Improvement Allowance

The landlord lists, in detail, the building standard materials and costs necessary to make the premises suitable for occupancy. A negotiated allowance is then provided for the tenant to customize or upgrade materials. This allowance is also called a “Tenant Improvement Allowance”, or “Improvement Allowance” and is sometimes abbreviated to “TI” or “TIA”. See also: “Workletter”.

Build-out

The space improvements put in place per the tenant’s specifications. Takes into consideration the amount of Tenant Finish Allowance (see Tenant Finish) provided for in the lease agreement. See also “Tenant Improvement Allowance”.

Build-To-Suit

An approach taken to lease space by a property owner where a new building is designed and constructed per the tenant’s specifications, often a specialized use.

Caps

Negotiated caps, or limits, on controllable expenses recharged to tenants by the landlord. These clauses will typically state that a line item of expense may not increase by more than a negotiated percentage from one year to the next. Often, the caps will only apply to costs within the control of the landlord and exclude uncontrollable items such as

utility expenses, property tax, insurance premiums and expenses related to adverse weather conditions (such as snow removal).

Capital Expenses

This type of expense is most often defined by reference to generally accepted accounting principles (GAAP), but GAAP does not provide definitive guidance on all possible expenditures. Accountants will often disagree on whether or not to include certain items as a capital expense or as an operating expense. For example, roof replacement is usually considered a capital expense, where roof maintenance or repair would likely be considered an operating expense.

Capitalization

A method of determining the value of real property by considering net operating income divided by a predetermined annual rate of return.

Capitalization Rate (a/k/a "Cap Rate")

Most traditionally calculated as Net Income before debt service divided by the purchase price and expressed as a percentage. The rate that represents a reasonable return on investment (on the basis of both the investor's alternative investment possibilities and the risk of the investment). Used to determine and price an investment. See "Capitalization" and "Direct Capitalization."

Carrying Charges

Costs incidental to property ownership, other than interest (i.e. taxes, insurance costs and maintenance expenses), that must be absorbed by the landlord during the initial lease-up of a building and thereafter during periods of vacancy.

Certificate of Occupancy

A document presented by a local government agency or building department certifying that a building and/or the leased premises (tenant's space), has been satisfactorily inspected and is/are in a condition suitable for occupancy.

Chapter 7

That portion of the US Federal Bankruptcy code that deals with business liquidations. Assets of the debtor are liquidated to satisfy its debts to the amount of the recovery. Chapter 11 is that part of the US Federal Bankruptcy code that deals with business reorganizations, meaning that the debtor continues its business during and after bankruptcy.

Chapter 11

That portion of the US Federal Bankruptcy code that deals with business reorganizations, meaning that the debtor continues its business during and after bankruptcy. Chapter 7 is that part of the US Federal Bankruptcy code that deals with business liquidations. A similar concept in Canada is CCAA, or Companies' Creditors Arrangement Act.

Chattel

A movable article of personal property, such as furnishings, movable unaffixed trade fixtures, inventory, etc.

Circulation Factor

Interior space required for internal office circulation not accounted for in the Net Square Footage. A rule of thumb is to use a Circulation Factor of 1.35 x the Net Square Footage for office and fixed drywall areas and a Circulation Factor of 1.45 x the Net Square Footage for open area workstations. Also see: Net Square Footage and Usable Square Footage.

Claw back Provisions

These allow the Landlord to recapture negotiated items beneficial to the tenant, such as rent abatement, options, Rights of First Refusal (ROFRs), exclusive use, etc. upon a lease default or even breach by the tenant, or if a tenant

enacts a Go Dark or termination provision. Often the wording permanently removes these even if the default or breach is cured by the tenant. See "Recapture".

Co-Covenantor

A party that stands in place of the tenant if needed and acts like they are the tenant if the tenant cannot fulfill its obligations under the lease.

Common Area

There are two components of the term "common area." If used in association with the Rentable/Usable or Load Factor calculation, the common areas are those areas within a building that are available for common use by all tenants or groups of tenants and their invitees (i.e. lobbies, corridors, restrooms, etc.). On the other hand, the cost of maintaining parking facilities, malls, sidewalks, landscaped areas, public toilets, truck and service facilities, and the like are included in the term "common area" when calculating the tenant's pro-rata share of building operating expenses.

Common Area Maintenance (CAM)

This is the amount of Additional Rent charged to the tenant, in addition to the Base Rent (see 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, basic repair and ongoing maintenance. Most often, this does not include any capital improvements (see Capital Expenses) that are made to the property. Some practitioners also include other items in the term Common Area Maintenance, such as insurance and property taxes; however this is generally considered incorrect as those items make two distinct parts of the Triple Net rent. Care should be taken to fully understand what expenses make up this portion of rent. See also "Operating Costs".

Companies' Creditor Arrangement Act

The Companies' Creditors Arrangement Act (commonly referred to as the "CCAA" or the "CC, double A") is a Canadian Federal Act that allows financially troubled corporations the opportunity to restructure their affairs. by allowing the company to restructure its financial affairs, through a formal Plan of Arrangement, the CCAA presents an opportunity for the company to avoid bankruptcy and allows the creditors to receive some form of payment for amounts owing to them by the company. It is akin to a Chapter 11 Bankruptcy in the USA. The CCAA is restricted to larger corporations, as a corporation must have amounts owing to creditors in excess of \$5 million to be eligible to use the Act.

Comparable or Comparables (plural)

Lease rates and terms of properties similar in size, construction quality, age, use, and typically located within the same sub-market and used as comparison properties to determine the fair market lease rate for another property with similar characteristics.

Competitive Inventory

Single-tenant and multi-tenant buildings typically consist of 10,000 square feet or more that are owned by one party and are made available for lease to another party. Owner-occupied and government-owned buildings are typically excluded from the competitive inventory.

Note: It is important to note that data providers each have their own set of buildings that make up the competitive inventory in their foundational data set. Some include buildings larger than 20,000 square feet, while others include buildings as small as 5,000 square feet. Those modest differences in the competitive set can cause variations in metrics such as vacancy and absorption reported by each shop.

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.

Concessions

Also referred to as “Incentives”. Cash or cash equivalents expended by the landlord in the form of rental abatement, additional tenant finish allowance, periods of free rent after the lease commencement, moving expenses, cabling expenses or other monies expended to influence or persuade the tenant to sign a lease. 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.

Contiguous Block(s)

Multiple suites or spaces on either the same floor or the adjoining floor(s) in the same building.

Condemnation

The process of taking private property, without the consent of the owner, by a governmental agency for public use through the power of eminent domain.

Condominium

Also called a "condo" is a larger property complex comprised of individual units, and each unit is owned separately. Ownership usually includes a nonexclusive interest in certain "community property" or common area(s) controlled by the condominium management. Condominium management is usually made up of a board of unit owners who oversees the daily operation of the complex, such as lawn maintenance and snow removal. In some jurisdictions condominiums refer only to a type of residential development and not commercial real estate, instead referring to all complexes where there is separate unit ownership as a “Strata” or Stratified Title”. See “Strata” “HOA” and “Strata Council”.

Construction Management

When the actual construction process is overseen by a qualified construction manager who ensures that the various stages of the construction process are completed in a timely and proper manner, from obtaining construction permit to completion of the construction, to the final inspection and approval of the completed premises with the tenant. The fee for construction management is often paid to a property manager or other qualified professional if the space is being built out for the tenant, or the tenant may pay a fee directly if they are building out the space themselves.

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.

Constructive Eviction

When the landlord, without intent to oust a tenant or deprive the tenant of possession of all or a portion of the leased premises, either by act or by inaction allows a condition to occur (e.g. roof leak, loss of utilities, failure of HVAC) denies the tenant of use and possession of all or a portion of the leased premises.

Consumer Price Index (“CPI”)

Measures inflation in relation to the change in the price of a fixed market basket of goods and services purchased by a specified population during a “base” period of time. It is not a true “cost of living” factor and bears little direct relation to actual costs of building operation or the value of real estate. The CPI is commonly used to increase the base rental periodically as a means of protecting the landlord’s rental stream against inflation or to provide a cushion for operating expense increases for a landlord unwilling to undertake the record keeping necessary for operating expense escalations. There are many different consumer price indices for different markets (urban, rural), and

different goods or services. When using a CPI as a basis for rent increases, care should be given to selection of the proper CPI, and it should be specified in the lease.

Contiguous Space

(1) Multiple suites/spaces within the same building which adjoin and which can be combined and rented to a single tenant whether that space is located adjacent on a horizontal or vertical plane.; (2) A block of space located on multiple adjoining floors in a building (i.e., a tenant leases floors 6 through 12 in a building).

Contract Documents

The complete set of design plans and specifications for the construction of a building or of a building's interior improvements. Working Drawings specify for the contractor the precise manner in which a project is to be constructed. See also "Specifications". "Working Drawings".

Contract Rent

The rental rates are stipulated in an executed lease agreement. Typically, the contract rate is based on the first year rate as opposed to the average rate over the term of the lease. (Synonym: base rate).

Corporation

An artificial or legal entity created under the authority of a state or nation, which exists as an entity separate from those who operate the entity (officers, directors, employees), and whose liability is generally limited to its assets.

Core Factor

Represents the percentage of Net Rentable Square Feet devoted to the building's common areas (lobbies, rest rooms, corridors). This factor can be computed for an entire building or a single floor of a building. Also known as a Loss Factor or Rentable/Usable (R/U) Factor, or Load Factor. It is calculated by dividing the rentable square footage by the usable square footage.

Co-Tenancy

Refers to the amount of space leased or numbers of tenants in the property. A co-tenancy clause permits the tenant to pay reduced or no rent if the minimum thresholds are not met. There are typically two types of co-tenancy clauses: an opening co-tenancy for a new development, and an ongoing co-tenancy during the term of the lease.

Covenant

A written agreement inserted into deeds or other legal instruments stipulating performance, or non-performance, or perhaps prohibition of certain acts or, uses of a property and/or land.

Covenant of Quiet Enjoyment

(1) The old "quiet enjoyment" paragraph, now more commonly referred to as "Warranty of Possession", had nothing to do with noise in and around the leased premises. It provides a warranty by landlord that it has the legal ability to convey the possession of the premises to tenant; the landlord does not warrant that it owns the land. This is what landlord agrees to provide as consideration for the tenant's obligation to pay rent. If the landlord breaches this covenant, it may constitute an actual or constructive eviction. (2) The covenant assures the tenant it will be able to occupy the Premises without undue interference from the landlord or other tenants. A Covenant of Quiet Possession does not convey an exclusive use covenant for the benefit of the tenant.

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 credit tenants as anchors are considered less risky investments for lenders.

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.

Debtor

The person or entity which declares bankruptcy by filing a petition in bankruptcy.

Default

The failure to perform a legal or contractual duty or to discharge an obligation when due. Specific examples are: 1) Failure to make a payment of rent when due. 2) Failure to perform any of the terms of a lease agreement. A breach which is not cured within the applicable cure period becomes a default.

Demising Walls

The partition wall that separates one tenant's space from another or from the building's common area such as a public corridor.

Demolition Clause

A lease clause which gives a Landlord the authority to terminate a lease in order to take on repairs, renovations or the complete reconstruction of a leased premises or property, as opposed to Damage and Destruction clauses which account for damage from outside forces. Demolition clauses are sometimes seen as controversial, and can be the catalyst for disputes; therefore, great care should be exercised in negotiating the terms of this provision.

Design/Build

A system in which a single entity is responsible for both the design and construction. The term can apply to an entire facility or to individual components of the construction to be performed by a subcontractor; also referred to as "design/construct." This sometimes refers to a project constructed by a developer for a prospective buyer's or Lessee's specific requirements on a turnkey basis.

Depreciation

Spreading out the cost of a capital asset over its estimated useful life or a decrease in the usefulness, and therefore value, of real property improvements or other assets caused by deterioration or obsolescence.

Direct New Space

Space that is offered for lease directly by the building owner or landlord. If space is offered for lease by a building tenant, it is not direct space but rather is sublet space.

Direct Vacancy Rate

The total amount of physically vacant space divided by the total amount of existing inventory, expressed as a percentage. Space that is under construction (and, therefore, is vacant) is not included in vacancy calculations.

Distraint

The act of seizing (legally or illegally) personal property of a tenant based on the right and interest which a landlord has in the property of a tenant in default.

Dollar Stop

Also known as a Rent Stop. An agreed dollar amount of taxes and operating expenses (expressed for the building as a whole or on a square foot basis) over which the tenant will pay its pro-rata share of increases. May be applied to specific expenses (e.g., property taxes or insurance). Typically, this is part of a "Modified Gross Lease".

Economic Rent

The market rental value of a property at a given point in time, even though the actual rent may be different.

Effective Rent

Not to be confused with Net Effective Rent. It is the Base Rent plus any Percentage Rent paid and earned by the landlord from a particular tenant, expressed on an annual per square foot or per square meter basis (depending on how the base rent is paid). It is what the tenant is effectively paying to occupy the space, exclusive of Triple Net Rent.

Efficiency Factor

Represents the percentage of Net Rentable Square Feet devoted to the building's common areas (lobbies, rest rooms, and corridors). This factor can be computed for an entire building or a single floor of a building. Also known as a Core Factor or Rentable/Usable (R/U) Factor or Load Factor, it is calculated by dividing the rentable square footage by the usable square footage. See "Usable Square Footage".

Eminent Domain

A power of any level of government, and private persons or corporations authorized to exercise functions of public character to acquire private property for public use by condemnation, in return for just compensation. See also "Condemnation".

Encroachment

The intrusion of a structure which extends, without permission, over a property line, easement boundary or building setback line.

Encroachment Area

Sometimes found in retail property leases. It provides a license but not exclusive use (a lease) to an area immediately in front of the storefront to permit the tenant to display goods or signage to entice customers into the premises.

Encumbered Space

A block of space offered for lease by a landlord to which another tenant has some right to lease or occupy at some future date.

Encumbrance

Any right to, or interest in, real property held by someone other than the owner, but which will not prevent the transfer of fee title (i.e. a claim, lien, charge or liability attached to and binding upon real property).

Escalation Clause

A clause in a lease which provides for the rent to be increased either as the Base Rent or to reflect changes in expenses paid by the landlord such as real estate taxes, operating costs and the like. This may be accomplished by several means such as fixed periodic increases, increases tied to the Consumer Price Index, or adjustments based on actual changes in expenses paid by the landlord in relation to a dollar stop (rent stop) or base year reference.

Estoppel Certificate

A signed statement regarding the lease certifying that certain statements of fact are correct as of the date of the statement and can be relied upon by a third party such as a prospective lender or purchaser. In the context of a lease, this is a statement by a tenant confirming that the lease is in effect, that no rent has been prepaid and that there are no known uncured defaults by the landlord (except those specified in the estoppel certificate).

Exclusive Agency

A generic term for a representation or listing agreement between landlord and a broker, providing that such broker is the only broker hired to list the property for sale or lease, and if a buyer or tenant is procured by the exclusive agent or any other broker, the landlord is obligated to pay its exclusive agent a commission. In many jurisdictions,

an exclusive agency allows the landlord to procure a tenant without the assistance of the broker, and therefore without liability for commission on that specific lease. See Exclusive Right to Sell or Lease.

Exclusive Right to Sell or Lease

A broad form of exclusive listing between owner and broker such that if a tenant or purchasers is procured during the term of the listing by the broker, the owner, or by anyone else (including another broker), then the owner is obligated to pay the listing broker a commission on the transaction.

Exclusive Use Clause

A clause that may be included in a lease (usually retail) specifying that the business of the tenant is exclusive in the property and that no other tenant operating the same or similar type of business may occupy space in the building or shopping center. This clause benefits businesses desiring exclusive access to the building's population.

Expense Stop

Also known as a Dollar Stop or Rent Stop. An agreed dollar amount of taxes and operating expenses (expressed for the building as a whole or on a per square foot basis) over which the tenant will pay its prorated share of increases. The stop may be applied to specific expenses only (e.g., property taxes or insurance), as well.

Face Rental Rate

(1) The "asking" rental rate published by the landlord. (2) In terms of calculating the Net Effective Rent it is the contracted Base Rent before concessions, commissions or incentives.

Fair Market Rent

Generally, the rent which would be negotiated by a willing landlord and tenant in an "arm's length transaction" for a specific property at a given time, even though the actual rent may differ. In a lease, the term "fair market rent" may be defined in a number of different ways. It is commonly used for rent escalations, particularly when dealing with options.

Finance Charge

The amount paid for the privilege deferring payment of goods or services, including any charges payable by the purchaser as a condition of the loan, or charges accruing on above standard tenant improvements made by a landlord at tenant expense, i.e. repaid in rent.

First Refusal Right or Right Of First Refusal (Purchase)

A lease clause giving a tenant the first opportunity to buy a property at the same price and on the same terms and conditions as those contained in an offer from a third party which the owner has expressed a willingness to accept. See "Right of First Refusal".

First Refusal Right or Right Of First Refusal (to Lease adjacent space)

A lease clause giving a tenant the first opportunity to lease additional space that might become available in a property on pre-negotiated terms, but often at the same price and on the same terms and conditions as those contained in a third party offer that the owner has expressed a willingness to accept. This right is often restricted to specific areas of the building such as adjacent suites or other suites on the same floor. See "Right Of First Refusal" and "Right Of First Offer".

Fixed Costs

Costs, such as Base Rent, which do not vary with changes in the level of sales or production and would continue if the entity produced and sold nothing at all.

Fixture

Usually a fixture is personal property (e.g. equipment, display pieces, shelving, racking) which becomes affixed or attached to real property. Unless the right to remove fixtures (and repair the leased premises) is reserved by the

tenant, a landlord may claim ownership of fixtures at lease termination. Upon affixation the Fixture may also be known as a Leasehold Improvement.

Fixturing Period

Also known as “Early Occupancy Period” or “Build Out Period”. The timeframe when the tenant can complete renovations to the premises before opening at either abated or reduced rent. It typically occurs before the lease term commencement, and often the tenant is bound by all other provisions of the lease agreement other than the Rent.

Floor Area Ratio (FAR)

The ratio of the gross square footage of a building to the land on which it is situated. Calculated by dividing the total square footage in the building by the square footage of land area. Also called Floor Space Ratio (FSR) or Floor Space Index (FSI).

Force Majeure

A force which cannot be controlled by the parties to a contract and prevents the parties from complying with the provisions of the contract or lease. This includes acts of God such as flood or a hurricane, or acts of man such as strike, fire, or war.

Full Service Rent

An all-inclusive rental rate which includes operating expenses and real estate taxes for the first year. The tenant is generally still responsible for any increase in operating expenses over the base year amount. Sometimes a Full Service Lease includes in-Premises services such as janitorial, which would not normally be included in a Gross Lease.

Future Proposed Space

Space in a proposed commercial development which is not yet under construction or where no construction start date has been set. Future Proposed Projects include all those projects waiting for a lead tenant, financing, zoning, approvals, or any other event necessary to begin construction, and this term may also refer to the future phases of a multi-phase project.

General Contractor

The prime contractor who contracts for the construction of an entire building or project, rather than just a portion of the work. The general contractor hires all other trades (subcontractors) and suppliers of materials (material men,) coordinates all work, and is responsible for their performance and payment to them.

General Partnership

A form of partnership where all partners are deemed general partners, are jointly and severally liable for the acts and duties of the partnerships and the other partners in partnership business, without limitation of liability to each partner. See also “Limited Partnership,” “and Limited Liability Company”.

Go Dark

Gives the tenant the opportunity to shut down normal operations without sanction from the landlord as long as the tenant continues paying rent. It is less onerous on the landlord to grant visa vie a termination clause as rental revenue continues to flow. The provision can be a stand alone clause and/or tied to another clause such as a co-tenancy clause.

Graduated Lease

A lease, generally long term in nature, provides that the rent will vary depending upon future contingencies, such as a periodic appraisal, the tenant’s gross income, or simply the passage of time.

Grant

To bestow or transfer an interest in real property by deed or other instrument; either the fee or a lesser interest, such as an easement.

Grant of Security Interest

A security interest is a legal right granted by a debtor/tenant to a landlord/creditor over the tenant's property, such as inventory, chattels, etc. which enables the landlord to have recourse to the tenant's property if the tenant defaults in making rent payment or otherwise performing the secured obligations.

Grantee

Party to whom a grant is made.

Grantor

The party making the grant.

Green Lease

A type of lease that incorporates clauses wherein the landlord and the tenant agree to undertake specific responsibilities/obligations with regards to the sustainable operation/occupation of a property, for example: energy efficiency measures, waste reduction/ management, construction practices, and water efficiency.

Gross Absorption

A measure of the total square feet leased over a specified period of time with no consideration given to space vacated in the same geographic area during the same time period. See also: "Net Absorption." (Synonym: leasing activity)

Gross Building Area

The total floor area of the building, measuring from the outer surface of exterior walls and windows and including all vertical penetrations (e.g. elevator shafts, etc.) and basement space.

Gross Lease

A legally binding contract in which a landlord receives stipulated rent from a tenant and is obligated to pay all or most of the property's operating expenses and real estate taxes. The landlord must pay all expenses such as taxes, insurance, maintenance, and non sub-metered utilities, with no pass through of these expenses or increase in these expenses to tenant. Common in the rental of apartments.

Note: Disclosure of the specified costs of operation is required in some states in the USA. (See Common Lease Types Matrix.) (Synonym: full service lease)

Gross Rent Occupancy Cost

Often referenced by its acronym "GROC" also called "Rent to Sales Ratio (RTS)". A tenant's annual gross occupancy costs, of base rent, percentage rent and recoverable charges (aka total rent) divided by its annual gross sales. It is a measure of a tenant's viability to meet its obligations.

Gross Up

An adjustment made to operating expenses to account for the present occupancy level in a building as compared to a higher level such as 95% or more. When operating expenses are "grossed up", it means that the building's variable expenses have been adjusted (usually) upward to the level that those expenses would be if the building were fully or almost 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 is typically 20 years or more, but many extend 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. Unless the ground lessor agrees to subordinate its interest to the ground lessee's lender, the ground lessee will not likely be able to use the land for collateral for a loan.

Guarantor

Party which makes a guaranty. See also "Guaranty".

Guaranty

Agreement whereby the guarantor undertakes collaterally to assure satisfaction of the debt or other financial obligation of another or perform the obligation of another if and when the debtor or tenant fails to do so. Differs from a surety agreement in that there is a separate and distinct contract rather than a joint undertaking and shared liability with the debtor. See also Indemnifier and Co-Covenantor

Hard Cost

The cost of constructing the actual physical improvements (i.e. labor and material for construction). See also "Soft Cost".

Health Emergency Clause

This clause can go by many different names, but the underlying concept remains the same. It came into vogue as a result of the Covid-19 pandemic but covers much more than that specific event. It is a clause in the Lease that outlines when, and if, the tenant can cease operations and/or stop paying rent during an emergency declared by a higher authority, such as any level of government, health authorities, etc. that affect the ability of the tenant to conduct business completely. The intent is to outline the rights and responsibilities of each party PRIOR to an emergency and the need to then negotiate this item during an emergency.

High Rise

In the Central Business District, this could mean a building higher than 25 stories above ground level. In suburban sub-markets, it generally refers to buildings higher than 7 or 8 stories.

Hold Over Rent

Rent owed by a tenant to a landlord for occupying leased premises after expiration of the lease term, often expressed as a multiple of the base rent charged immediately prior to expiration of the term.

Hold Over Tenant

A tenant retaining possession of the leased premises after the expiration of a lease.

H.O.A.

An acronym for Home Owners Association. Typically, a non-profit entity charged with managing the common property or common areas of a condominium. In the USA, HOA is used to describe this organization be it for residential property or commercial real estate. In parts of Canada and other jurisdictions HOAs only apply to residential properties and both residential and commercial properties may be governed by a similar organization referred to as a "Strata Council". See "Stratified Title".

HVAC

The acronym for "Heating, Ventilating and Air-Conditioning".

Improvements

In the context of leasing, the term typically refers to the improvements made to or inside a building but may include any permanent structure or other development, such as a street, sidewalks, utilities, etc. See also "Leasehold Improvements".

Indemnifier

A party that agrees to provide additional security to the landlord should a tenant fail or defaults on a lease agreement.

Indirect Costs

Development costs, other than material and labor costs which are directly related to the construction of improvements, including administrative and office expenses, commissions, architectural, engineering and financing costs, also known as Soft Costs.

Inventory

Refers to the total amount of rentable square feet of existing and soon to be delivered space in a given category of property, for example, Class A office space. Inventory refers to all space within a certain prescribed market without regard to its availability or condition, and categories may include all types of leased space such as office, flex, retail, and warehouse space.

Judgment

The final decision of a court resolving a dispute and determining the rights and obligations of the parties. Money judgments, when recorded, become a lien on real property of the defendant.

Judgment Lien

An encumbrance that arises by law after recording a notice of judgment and when a judgment for the recovery of money attaches to the judgment debtor's real estate. See also "Lien".

Just Compensation

Compensation which is fair to both the owner and the public when property is taken for public use through condemnation (eminent domain). The theory is that in order to be "just," the property owner should be no richer or poorer than prior to the taking by any other arm's length party.

Landlord's Lien

A lien which may be created by contract or by operation of law. Examples are: (1) a contractual landlord's lien based on a lease agreement; (2) a statutory landlord's lien; and (3) landlord's remedy of distress (or right of distraint), which is not truly a lien, but has a similar effect when the landlord seeks to attach a tenant's property to satisfy the landlord's claim.

Landlord's Lien or Warrant

A warrant from a landlord to levy upon a tenant's personal property (e.g., furniture, machines.) and to sell this property at a public sale to compel payment of the rent or other financial obligation based on the lease, known in some jurisdictions as distraint whereby the owner of real property (landlord) gives the right of possession to another (tenant) for a specified period of time (term) and for a specified consideration (rent).

Lease Agreement

Any agreement which gives rise to a relationship of landlord and tenant. A contract for the exclusive possession of the leased premises entered into between landlord and tenant reflecting agreed upon business terms and conditions.

Lease Commencement Date

The date which usually constitutes the commencement of the term of the lease for all purposes, whether or not the tenant has actually taken possession, so long as occupancy is possible. In reality, there could be other agreed dates, such as in an Early Occupancy Agreement, which have an impact on this definition.

Leased Space

Space under contract between a landlord and a tenant or between a tenant and a subtenant.

Leasehold

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

Leasehold Improvements

Also known as Tenant Improvements. Improvements made to the leased premises by or for a tenant. Generally, especially in new space or retail space, part of the lease negotiations will include in some detail the improvements to be made in the leased premises by Landlord or in the alternative, an allowance provided to the tenant to fund improvements made by the tenant. See also "Tenant Improvements". These improvements are usually considered landlord's property upon lease termination. Improvements do not include chattels, such as trade fixtures.

Leasing Activity

Leasing activity is a term that refers to the number of leases signed or square footage committed to over a specified period without regard to occupancy. Typically, leases are executed many months before a tenant occupies the space. This arrangement means that a lease can be executed in a given quarter, but the space commitment will not show up in the absorption figures until the space is occupied at some point in the future. Leasing activity includes direct leases, subleases and expansions of existing leases. Leasing activity also includes any preleasing activity in buildings that are under construction, are planned or are under renovation. (Synonym: gross absorption)

Legal Description

A description identifying a parcel of land by government survey, metes and bounds, or lot numbers of a recorded plat including a description of any portion thereof.

Legal Owner

The term is in technical contrast to equitable owner or beneficial owner. The legal owner has legal title to the property. The equitable owner or beneficial owner has voting control over a non-person legal entity that may in turn own the real property.

Letter of Attornment

A letter from the grantor (seller) to a tenant, stating that a property has been sold, and directing rent to be paid to the grantee (buyer). See also "Attorn".

Letter of Credit

A commitment by a bank or other person, (issuer) made at the request of a customer, that the issuer will honor drafts or other demands for payment upon full compliance with the conditions specified in the letter of credit, such advance constituting a loan to the customer. Letters of credit are often used in place of cash deposited with the landlord to constitute the security deposit or in place of a guaranty.

Letter of Intent

Also known as a Memorandum of Understanding. A preliminary agreement stating the proposed terms for a final contract of purchase or lease. They can be "binding" or "non-binding", depending on their terms and the intent of the parties. The parties should always consult their respective legal counsel before signing any Letter of Intent.

License

When the owner gives permission to a licensee to conduct an action on the owner's property. The main difference between a license to a lease is that leases give an individual tenant the right to control the property leased and to have exclusive use of that premises, while licenses only give an individual the right to act on the landlord's property. There is no exclusive use, and no transfer of subordinated property rights and obligations as there is with a lease.

Lien

A claim or encumbrance against property used to secure a debt, charge or the performance of some act. Includes liens acquired by contract or by operation of law. All liens are encumbrances, but all encumbrances are not liens.

Lien Waiver (Waiver of Lien)

A waiver of mechanic's lien rights, signed by a general contractor and his subcontractors, is often required before the general contractor can receive a draw under the payment provisions of a construction contract. May also be required before the owner can receive a draw on a construction loan. In roughly ½ of the states in the U.S., real estate brokers have right to assert liens on a property to secure their role or lease commission, and usually (in these states), the broker must exchange a lien waiver for payment of the claimed commission. There is no such provision for brokers in Canada.

Limited Liability Company (a/k/a "LLC")

A business entity in the USA organized under the state's limited liability and characterized by its owners being termed member, its day-to-day management being accomplished by its members or by a manager (which may or may not be a member). The liability of a member is limited to the member's contribution to the entity, while the manager's liability is not similarly limited. This entity can be taxed either as a partnership or as a corporation, as the LLC elects with the IRS.

Limited Partnership

A partnership consisting of one or more general partners (see general partnership) and other partners called limited partners, where the liability for the acts of the partnership is total for each general partner. A limited partner whose role is generally passive, as an investor, has liability only to the extent of the specific amount invested in the partnership. A type of partnership, created under law, comprised of one or more general partners who manage the business and who are personally liable for partnership debts, and one or more limited partners who contribute capital and share in profits but who take no part in running the business, and most important, incur no liability beyond the amount they have contributed to the partnership.

Low Rise

A building with fewer than (generally) 4 stories above ground level.

Lump-Sum Contract

(1) A type of construction contract requiring the general contractor to complete a building or project for a fixed cost normally established by competitive bidding. The contractor absorbs any loss or retains any profit, in excess of the lump sum. (2) A pre-paid fixed amount of rent, typically involving a long-term ground lease. The amount to be paid is derived through a net present value calculation of all rents otherwise accruing over the term (eg: \$250,000 prepaid for a 99-year ground lease).

Market Rent

The rental income that a property would command on the open market with a landlord and a tenant ready and willing to consummate a lease in the ordinary course of business; indicated by the rents that landlords were willing to accept, and tenants were willing to pay in recent lease transactions for comparable space.

Market Value

The highest price a property would command in a competitive and open market under all conditions requisite to a fair sale with the buyer and seller each acting prudently and knowledgeably in the ordinary course of trade.

Master Lease

A primary lease that controls subsequent leases of all or portions of the leased premises. An Executive Suite operation is an example in that a master lease is signed with the landlord and then individual offices within the leased premises are leased or licensed to other individuals or companies for different (usually shorter) terms.

Mechanic's Lien

A claim created by statute for securing priority of payment of the price and value of work performed and materials furnished in constructing, repairing or improving a building or other structure, and which attaches to the land as well as to the buildings and improvements thereon.

Metes and Bounds

A form of legal description most commonly used in the USA which, with the terminal points and angles, described by listing the compass directions and distances of the boundaries. Originally, metes referred to distance and bounds referred to direction.

Mid-Rise

A building with (usually) 4 to 8 stories above ground level although in a Central Business District, this might extend to buildings up to twenty-five stories.

Mixed-Use

Space within a building or project provided for more than one use (e.g., an apartment building with office space, a hotel with office space, or a retail establishment with apartments, or any multiple of uses).

Modified Gross Lease

A lease in which a tenant pays a fixed sum for rent from which landlord pays all operating expenses for the first or lease year (or dollar stop or rent stop), and thereafter tenant pays all increases in operating expenses or the increases beyond the fixed ceiling, called a dollar stop or rent stop.

Modified Lease

A lease in which the landlord receives a stipulated 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. (See Common Lease Types Matrix.)

Natural Break Point

Also called "Breakpoint" or "Sales Breakpoint". Used when calculating when a tenant starts paying percentage rent. It is that point in sales when the amount of annual base rent payable equals the percentage rent factor. See "Artificial Break Point"

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 Absorption also considers new inventory to the market. See also; "Gross Absorption".

Net Effective Rent

The actual rental rate to be achieved by the landlord after deducting the cost of concessions and the landlord's costs of completing the lease, such as agent fees and legal fees to negotiate and prepare a lease. These expenses are deducted from the base rental rate paid by a tenant for the term, and usually expressed as an average rate over the term of the lease. Not to be confused with "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 (Simplified – Not Discounted)

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 as well as Landlord work.

Assumptions: 5,000-square-foot (sf) lease 36 months
\$25 contract rate with \$0.50 annual escalations 1 month free rent (first month)

	Formulas	Total Rent
Year 1 (11 months)	\$25.00 x 5,000 sf x (11/12) =	\$114,583
Year 2 (12 months)	\$25.50 x 5,000 sf =	\$127,500
Year 3 (12 months)	\$26.00 x 5,000 sf =	\$130,000
Total Rent or Consideration		\$372,083
Effective Rental Rate		\$24.85/sf/year

NOTE: A more precise calculation uses a Discount Cash Flow analysis

Net Lease

A lease in which there is a provision for the tenant to pay, in addition to base rent, certain costs associated with the operation of the property, which include some or all of property taxes, insurance, repairs, utilities, and maintenance. There are also “NN” (double net) and “NNN” (triple net) leases, depending upon the degree to which the tenant is responsible for operating costs. Technically, a Net Lease refers the billing to the tenant of one of the three nets in a triple net lease. Often this is property, or real estate taxes typically billed to the land owner by the taxing authority. Double net leases means the landlord is recharging the tenant two of the nets in a triple net lease, and often those nets are property or real estate taxes and insurance costs. A triple net lease means that in addition to the base rent, the landlord is recovering its costs of property taxes, insurance and Operating Costs (aka Common Area Maintenance). See also “Gross Lease.”

Net Rentable Area

The floor area of a building which remains after the square footage represented by vertical penetrations, such as elevator shafts, stairways, plumbing and HVAC chases has been deducted. Common areas and mechanical rooms are included and no deductions are made for necessary columns and projections of the building. (BOMA Standard).

New Space

Space delivered to the market that was never previously leased or occupied by a tenant.

Normal Wear and Tear

The deterioration or loss in value caused by the tenant’s normal and reasonable use. In most leases the tenant is not responsible for “normal wear and tear,” on the leased premises when the tenant vacates the premises at the end of the lease term.

Occupancy Costs

A term that is preferable to Additional Rent when discussing known charges to the tenant in addition to base rent and percentage rent. It includes Operating Expenses and Tenant Service Charges. Includes rent, real estate and personal property taxes, plus insurance, depreciation and amortization expenses.

Occupied Space

Space that is physically occupied by a tenant, subtenant or owner. Occupied space is calculated by subtracting total vacant space from total competitive inventory. If subtenant space is excluded from the calculation, then the term “direct occupied space” is recommended.

Offer to Lease

A legally binding document entered into by the landlord and tenant, and used as a precursor to the lease, often for a new development to be built in the future, but can be used for an existing property. Only a commercial real estate lawyer should draft this document as it will be legally binding on the parties and form the basis of the lease agreement.

Operating Expense Escalation

Although there are many variations of escalation clauses, all are intended to adjust rents by reference to external standards such as published indices, negotiated wage levels, or expenses related to the ownership and operation of buildings. During the past 30 years, landlords have developed the custom of separating the base rent for the occupancy of the leased premises from escalation rent. This technique enables the landlord to better ensure that the “net” rent to be received under the lease will not be reduced by the escalating costs of operating and maintaining the property. The landlord’s definition of Operating Expenses is likely to be broad, covering most costs of operation of the building. Most landlords pass through proper and customary charges, but in the hands of an overly aggressive landlord, these clauses can operate to impose obligations which the tenant would not willingly or knowingly accept.

Operating Expenses

The actual costs associated with operating a property including maintenance, repairs, management, utilities, taxes, and insurance. A landlord’s definition of operating expenses is likely to be quite broad, covering most if not all aspects of operating, and in a growing number of case even the ownership of the building.

Option

A stated right of a tenant with respect to leasing additional space, renewing the lease or extending its term, or perhaps purchasing the property. Options usually contain conditions such as exercise thereof in writing, within a certain time period (usually a number of months prior to lease expiration) and the option may contain a stated rent or purchase price, or perhaps simply state “at fair market rent or value,” leaving the parties to negotiate the rent or sale price at the time of exercise of the option.

Parking Ratio or Index

The intent of this ratio is to provide a uniform method of expressing the amount of parking that is available or required at a given building. Dividing the total rentable square footage of a building by the total number of parking spaces for the building provides the amount of rentable square feet per each individual parking space (expressed as $1/\underline{xxx}$ or 1 per \underline{xxx}). Dividing 1000 by the previous result provides the ratio of parking spaces available per each 1000 rentable square feet (expressed as \underline{x} per 1000). However, individual municipal zoning bylaws not only determine the applicable Parking Ratio for each type of zone, but also different ratios by the use of the property (eg: a general retail property may have a parking ratio of 5 stalls per 1,000 square feet, whereas a restaurant use may be required to have 3 stalls per 1,000 square feet of rentable area, or another formula based on seating).

Partial Taking

The taking of part of an owner’s property for public use through the power of eminent domain.

Pass Throughs

Refers to the tenant’s pro-rata share of operating expenses paid in addition to the tenant’s base rent. This is also sometimes referred to as “TMI”, an acronym for Taxes, Maintenance and Insurance.

Percentage Rent

Also known as “Percent Rent”, “Sales Rent”, “Overage Rent” and “Participation Rent”. Lease provision requiring the

tenant to pay a percentage of the tenant's gross sales as a component of rent. Percentage rent should start to apply after a certain sales level either calculated as a "Natural Breakpoint" or a negotiated amount, called an "Artificial Breakpoint. This type of clause is most often found in retail leases. See Natural Breakpoint

Performance Bond

A surety bond posted by a contractor guaranteeing full performance of a contract (usually a construction project) with the proceeds to be used to complete the contract or compensate the owner for loss or cost of completion in the event of nonperformance.

Power of Attorney

The authority to act for another person or legal entity in specified or all legal or financial matters. A Power of Attorney provision in the lease typically permits the landlord to act as though it was the tenant in making certain declarations, such as signing an estoppel certificate, or in certain acts, such as selling any personal property abandoned by the tenant.

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. How the share is to be calculated should be detailed in the lease as either to the methodology (typically the tenant's Rentable Area divided by the total Rentable Area of the property) or as a stated percentage.

Property Assessment

An estimated valuation of a property's market value conducted by a taxing authority on either an annual or periodic basis (eg: once every three years). The property Assessment is used in combination with the mill rate to determine the Property or real estate taxes.

Property Tax

Also called Real Estate Tax. It is the annual tax billed to the property owner by the taxing authority to fund government services. This bill is recharged to the tenants on a pro-rata or proportionate share. It is one of the three 'nets' found in a triple net lease, but is also an expense incurred by all landlords and recharged to tenants under a variety of leases including gross leases, net leases, double net leases, etc.

Punch List

An itemized list documenting incomplete or unsatisfactory items, usually prepared by the architect or construction manager after the contractor has notified the owner or tenant that the work on the property or in the leased space is substantially complete.

Raw Space

Unimproved shell space in a building. Also referred to as "shell space", "Schedule C space" or "vanilla box".

Real Property

Land, and generally whatever is erected or affixed to the land, such as buildings, fences, and including light fixtures, plumbing and heating fixtures, or other items which would be personal property if not attached. See "Fixtures".

Recapture

(1) As used in leases, a clause giving the landlord a percentage of profits above a fixed amount of rent; or in a percentage lease, a clause granting the landlord a right to terminate the lease if the tenant fails to realize minimum sales. (2) Right of recapture may refer to the right retained by landlord when a tenant elects to sublease or assign, and the landlord elects to terminate the lease and recapture the leased space rather than approve the proposed sublease or assignment. (3) Provision(s) in the Lease to remove certain clauses beneficial to the tenant (eg: an option) upon a breach or default by the tenant, often, even if such breach is cured. See "Claw-back"

Relet Space

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

Relocation Clause

A clause that permits the Landlord to relocate the tenant to alternate premises either within the property or to another property owned by the Landlord. Great care needs to be taken when negotiating this clause. See "Demolition Clause".

Renewal Option

A clause giving a tenant the right to extend or renew the term of a lease, usually for a stated period of time and at a rent amount as provided for in the lease and option clause. In many jurisdictions an option to extend the lease simply extends the current lease contract/agreement; whereas an option to renew the lease refers to the ability to continue leasing space, but the lease agreement may be renegotiated. 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.

Rent

Compensation paid, usually periodically, for the occupancy and use of any rental property, land, buildings, or space in a building.

Rent Commencement Date

The date on which a tenant is obligated to begin paying rent, as contrasted with the lease commencement date when the lease term commences, but payment of rent is deferred for a period of time.

Rentable Square Footage

Rentable Square Footage equals the Usable Square Footage plus the tenant's pro-rata share of the Building Common Areas, such as lobbies, public corridors and restrooms. The pro-rata share, often referred to as the Rentable/Usable (R/U) Factor, will typically fall in a range of 1.10 to 1.16, depending on the particular building. Typically, a full floor occupancy will have an R/U Factor of 1.10 while a partial floor occupancy will have an R/U Factor of 1.12 to 1.19 ratio to the Usable Area.

Rentable/Usable Ratio

The number resulting from dividing the Total Rentable Area in a building by the Total Usable Area. The inverse of this ratio describes the proportion of the rentable leased square feet that a tenant may expect to actually utilize.

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. (Synonym: gross building area)

Rental Concession

Also known as a Rent Incentive or Tenant Incentive. Concessions a landlord may offer a tenant in order to secure the

tenancy. While rental abatement or reduced rent over a fixed period of time is one form of monthly concession, there are many others such as: increased tenant improvement allowance; special signage; below market rental rates; and moving allowances. See also "Abatement".

Rent-Up Period

The period, following construction of a new building, while tenants are actively being sought and the project approaches its stabilized occupancy.

Request for Proposal ("RFP")

The formal and often customized compilation of the many considerations that a tenant might seek to reflect the tenant's specific needs. Just as a building's standard form lease document represents the landlord's "wish list", the RFP serves in that same capacity for the tenant. A standardized RFP issued to multiple prospective landlords gives the tenant the opportunity to compare various landlord proposals on the same criteria.

Right of First Offer ("ROFO")

A tenant may hold a ROFO in its lease, meaning that if space becomes vacant or available, or if landlord should elect to sell the building, the landlord must first advise tenant of the available space, or landlord's intent to sell the property so that if so inclined, the holder of the ROFO then has the right to make the first offer to lease the available space or to purchase the property on any terms and conditions which the ROFO holder might offer. Of course, landlord is free to accept, decline, or counter such offer, as a ROFO contains no specific terms, rent, or sale price. (See Right of First Refusal and option which are similar but have criterial differences from a ROFO).

Right Of First Refusal ("ROFR")

A right which a tenant may hold to lease additional space in the property, add to its use clause, relocate to a different space, or to purchase the property under the following circumstances. If and when landlord is prepared or has agreed (subject to this right of first refusal) to lease space to a third party or sell the property to a third party on certain terms and conditions, that same transaction must be offered to the holder of the right of first refusal who has a fixed period in which to exercise the ROFR and purchase the property or lease the subject space on the specified terms and conditions, or waive the ROFR. See definition for option and for right of first offer ("ROFO") which is similar, but differences from ROFR should be noted.

Sale/ Leaseback

An agreement by which the owner/occupant of a property agrees to sell all or part of the property to an investor and then lease it back, continuing to occupy the property as a tenant. Although the lease technically follows the sale, both the lease and purchase and sale agreement will be negotiated and executed as part of the same transaction. 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.

Second Generation or Secondary Space

Refers to space which has been previously occupied and then becomes available for lease, either directly from the landlord or as sublease space.

Security Deposit

A deposit of money (or other security) by a tenant with a landlord to secure the tenant's performance of a lease. This can also take the form of a Letter of Credit or other financial instrument in lieu of cash.

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. (Synonym: phantom space)

Shell Space

The interior condition of the tenant's "usable square footage" when it is delivered to the tenant without improvements or finishes. While existing improvements and finishes can be removed, thus returning space in an older building to its "shell" condition, the term most commonly refers to the condition of the usable square footage after completion of the building's "shell" construction but prior to the build-out of the tenant's space. Shell construction typically includes the floor, windows, walls and roof of enclosed premises and may include some HVAC, electrical or plumbing improvements but usually does not include completion of demising walls or interior space partitioning. In a new multi-tenant building, common area improvements, such as lobbies, restrooms and exit corridors may also be included in the shell construction. With a newly constructed office building, there will often be a distinction between improvements above and below the ceiling grid. In a retail project, all or a portion of the floor slab is often installed along with the tenant improvements, to better accommodate tenant specific under-floor plumbing requirements.

Site Analysis

The study of a specific parcel of land which takes into account the surrounding area and is meant to determine its suitability for a specific use or purpose.

Site Development

All necessary improvements made to a site before a building can be constructed, such as grading, and utility installation.

Site Plan

A detailed plan depicting the location of improvements on a parcel of land and containing all information required by the zoning ordinance/bylaw, best included as an exhibit to a lease.

Slab

The exposed wearing surface laid over structural support beams of a building to form the floor(s) of the building or laid slab-on-grade in the case of a non-structural, ground level concrete slab.

Soft Cost

That portion of the total project cost other than the actual cost of the improvements themselves (generally including architectural and engineering fees, commissions, permits, and construction loan interest) and which may be tax-deductible in the first year of ownership. See also "Hard Cost".

Space Plan

A graphic drawing of a tenant's space requirements, showing wall and door locations, room sizes, and sometimes including furniture layout. A preliminary space plan may be prepared for a prospective tenant at different properties, and serves as a "test-fit" to help the tenant determine its actual space needs and which property will best meet its requirements. When the tenant has selected a building, a final space plan is prepared that addresses all of the landlord and tenant objectives, and then is approved by both parties. It should be detailed to allow an accurate estimate of construction costs. This final space plan, construction drawings and specifications and should be an exhibit to the lease where the Landlord is building out the premises on behalf of the tenant.

Special Assessment

Any special charge levied against real property for public improvements (e.g., sidewalks, streets, water and sewer, etc.) that specifically benefits the assessed property.

Speculative Space

Any tenant space that has not been leased before the start of construction on a new building.

Statute of Frauds

In most if not all US states, and all of Canada contracts for the sale of land or contracts which cannot be performed

within one year (such as a lease with a term exceeding one year) must either be in writing or evidenced by a written memorandum thereof in order for such contract to be enforceable.

Step-Up Lease (Graduated Lease)

A lease calling for set increases in base rent at set intervals during the term of the lease.

Straight Lease (Flat Lease)

A lease calling for the same fixed amount of base rent to be paid periodically, usually monthly, during the entire term of the lease.

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.

Strata

Short for “stratified title”. It pertains to a larger property complex comprised of individual units, and each unit is owned separately. Thus, the original title is stratified, or segmented. See “Condominium”.

Strata Council

The Strata Council is typically the governing body of the Strata Corporation comprised of a elected Strata lot owners. The strata corporation controls the common areas and limited common areas in a Condominium, or stratified title property (See also “H.O.A.” and “Condominium”)

Subcontractor

A contractor working under and being paid by the general contractor. Often a specialist in nature, such as an electrical contractor, cement contractor, including providers of construction materials (materialmen).

Sub-Landlord

Typically, the original tenant who sublets space to another party. Since the original tenant remains on the lease as the entity with the primary Leasehold interest, the original tenant then becomes the Sub-Landlord to the Subtenant under a subtenancy agreement. The Sub-Landlord has the direct relationship with the (head) Landlord.

Sublet Space

Space offered for lease indirectly by a tenant rather than directly by a landlord.

Sublet Tenant

Also known as the Subtenant. The Sublet Tenant (subtenant) only has a relationship with the Sub-Landlord and not the (head) Landlord.

Subordination

To place priority of a party’s right (e.g. to possession or ownership) below another party’s rights, such as a tenant agreeing that its leasehold rights are lower in priority in relation to a lender’s right to the property, often in exchange for the lender’s agreement to allow the lease to continue (non-disturbance), so long as the tenant agrees to attorn (or treat the lender as its landlord) to the lender. Hence the common term Subordination and Non-Disturbance Agreement (SNDA) is often utilized.

Subordination Agreement

As used in a lease, the tenant generally accepts the leased premises subject to the lien of any recorded mortgage or deed of trust and all existing recorded restrictions, and in return for the obligation of a lender or successor owner to accept the lease and not disturb the tenancy (“Non Disturbance”) so long as the tenant attorns to the lender or

successor owner, the landlord is given the power to subordinate the tenant's interest to any first mortgage or deed of trust lien subsequently placed upon the leased premises.

Subrogation

Literally the substitution of one person or party in the place of another with reference to a lawful claim or right. When an insurer pays or defends a claim, the insurer may “step into the shoes” of the insured, including the right to pursue claims of the insured against others. Waiver of subrogation is an important aspect where a landlord and tenant mutually agree in the lease to require their insurers to waive subrogation on landlord claims against the tenant and tenant claims against the landlord. Mutual waiver of subrogation usually results in the equivalent of: “If one party’s insurer pays or defends a claim, the other need not fear retribution for its causation.”

Surety

One who at the request of another, and for the purpose of securing to him a benefit, voluntarily binds himself to be obligated for the debt or obligation of another. Although the term includes guarantor and the terms are commonly, though mistakenly, used interchangeably, surety differs from guarantor in a many respects.

Take-up

When the space is physically occupied. (Synonym: leasing activity)

Tenant (Lessee)

One who rents real estate from another and holds a possessory estate by virtue of a lease. A.K.A. Occupier

Tenant At Will

One who holds possession of premises by permission of the owner or landlord, the characteristics of which are an uncertain duration (i.e. without a fixed term) and the right of either party to terminate on proper notice. A month to month tenancy is a Tenant at Will.

Tenant Improvements

Improvements made to the leased premises by or for a tenant. Generally, especially in new space, part of the negotiations will include in some detail the improvements to be made in the leased premises by the landlord or at landlord’s expense. See also “Leasehold Improvements” and “Work letter”.

Tenant Improvement (“TI”) Allowance (“TIA”) or Work Letter

Defines the fixed amount of money contributed by the landlord toward tenant improvements. The tenant pays costs that exceed this amount.

Tenant Service Charge

Also known as Service Charge. Some leases segregate expenses for services provided to a tenant or group of tenants into a separate accounting line item for recharging (billing) to those tenants. The Tenant Service charge clause in the lease details what types of charges those are and permits the landlord to use different methods of allocating those charges to tenant rather than a pro-rata share. These often include a-typical waste removal or utility use, or HVAC maintenance.

Termination

A provision that allows the lease agreement to end. A termination clause typically permits the tenant to cancel the Lease Agreement when certain circumstances occur, such as a co-tenancy provision not being met.

Time Is Of The Essence

Means that performance by one party within the period specified in the contract is essential to require performance by the other party.

Title

The means by which the owner of real property has record legal ownership of the real property.

Title Insurance

A policy issued by a title company after searching the title and which insures against loss resulting from defects of title to a specifically described parcel of real property, or from the enforcement of liens or other claims existing against it prior to the time the title policy is issued. Common in the USA and other jurisdictions that do not use the Torrens systems of recording title. See Torrens Title.

Torrens Title

Torrens title is a land registration and land transfer system, in which a jurisdiction creates and maintains a register of land holdings, which serves as the conclusive evidence (termed "indefeasibility") of title of the person recorded on the register as the proprietor (owner), and of all other interests recorded on the register.

Ownership of land is transferred by registration of a transfer of title, instead of by the use of deeds. The Registrar provides a Certificate of Title to the new owner, which is merely a copy of the related folio of the register. The main benefit of the system is to enhance certainty of title to land and to simplify dealings involving land.

Total Inventory

Total inventory is typically measured at the submarket and market levels. 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.

Trade Fixtures

Personal property used in a business, but removable upon lease termination because it is deemed to be part of the business, not of the real estate. Trade Fixtures are considered chattels, or removable property, as distinct from Improvements which cannot be easily removed.

Trickle-down Share

Also known as a disproportionate share. Often the anchor tenant does not pay its true share of triple net expenses in proportion to the space it occupies. In this case the landlord will deduct the anchor's contribution to the tenant recoverable expenses and allocate the balance to the remaining tenants after adjusting the area to exclude the anchor's premises.

Triple 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. A feature of a Triple Net lease is that the landlord first incurs the expenses and then recaptures the expenses from the tenant(s). (See Common Lease Types Matrix.)

Turn Key Project

A project in which a third party, usually a developer or general contractor, is responsible for the total completion of a building (including interior design and construction) or tenant improvements to the customized requirements and specifications of a future owner or tenant. In a turn key project, the tenant does not bear the cost of completion, even if the cost exceeds the final bid.

Under Construction

When construction has started prior to the issue of a Certificate of Occupancy.

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.

Use

The specific purpose for which a parcel of land or a building is intended to be used or for which it has been designed or arranged.

Use Clause

Lease section which described the use(s) for which the tenant may occupy the leased premises. If written broadly, it allows the tenant some latitude for alternate uses or for sub-tenant uses. If written narrowly, it proscribes all uses of the premises for the specific tenant, often to protect other tenants in multi-tenant buildings or to limit wear and tear on the leased premises.

Vacancy Factor

The amount of gross revenue that pro forma income statements anticipate will be lost due to vacancy, often expressed as a percentage of the total rentable square footage available in a building or project.

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.

Variance

Refers to permission that allows a property use beyond the literal requirements of a zoning ordinance or bylaw that, because of special circumstances, cause a unique hardship. Included would be such things as the particular physical surroundings, shape or topographical condition of the property and when compliance would result in a practical difficulty and would deprive the owner of the reasonable use of the property.

Warranty of Possession

This is the old "quiet enjoyment" term, which of course had nothing to do with noise in and around the leased premises. It provides a warranty by Landlord that it has the legal ability to convey the possession of the premises to Tenant; the Landlord does not warrant that he owns the land. This is the essence of the landlord's agreement and the tenant's obligation to pay rent. This means that if the landlord breaches this warranty, it constitutes an actual or constructive, or de facto, eviction. As a result of the potential for constructive eviction landlords include wording in the lease that they may enter the premises under certain circumstances including breaking-into the premises in an emergency if needed, without affecting the warranty of possession or quiet enjoyment.

Work letters

A landlord work letter will list of the building standard items that the landlord will contribute as part of the tenant improvements. Examples of the building standard items typically identified include: style and type of doors, lineal feet of partitions, type and quantity of lights, quality of floor coverings, number of telephone and electrical outlets. The work letter often carries a dollar value but is contrasted with a fixed dollar tenant improvement allowance that may be used somewhat at the tenant's discretion in building out the Premises. A tenant work letter will detail the specification and quality of materials to be used in the tenant's build out. It may also state rules and regulations pertaining to how the work is to be performed (eg: loud and disruptive work after normal business hours, placement of waste, etc.)

Working Drawings

The set of plans for a project that, in combination with a set of specifications, comprise the contract documents indicating the exact manner in which a project is to be built.

Zoning

The division of a city or town into zones and the application of regulations having to do with the structural, architectural design and permitted use of the land or buildings within such designated zone (i.e. a tenant needing manufacturing space would look for a building located within an area zoned to allow manufacturing).

Zoning Ordinance/Bylaw

Refers to the local statute, generally, at the local government level, controlling the use of land and construction of improvements in a given area or zone. Zoning Ordinance is a USA term, whereas Zoning Bylaw is a term used in Canada.

Common Lease Types Matrix

Lease Type	Responsibility for Expenses	Other
Gross (full service)	Landlord pays all or most of the operating expenses and taxes.	Costs of operation must be disclosed in lease.
Modified Gross	Expenses are divided between tenant and landlord.	Costs can be double or triple net depending on terms of lease.
Net	Tenant pays all operating expenses.	Landlord must disclose tenant responsibility in lease.
Triple Net (Net-net-net, or NNN)	Tenant pays all operating expenses, taxes and insurance.	Landlord is responsible for structure, roof and maybe parking lot.
Master		Controlling lease stipulates terms and length.

Commercial Real Estate (CRE) Investment Sales Terminology

This section contains a group of frequently used terms related to the purchase and financing of real estate assets.

1031 Exchange or Like-kind Exchange

U.S. Internal Revenue Code Section 1031 permits the deferral of capital gains taxes on the sale of property held for investment or productive use in a trade or a business. With a 1031 exchange, property owners can sell their real estate and then reinvest the proceeds in ownership of a like-kind property or several like-kind properties, thus deferring the capital gains taxes. The like-kind exchange under Section 1031 is tax-deferred, not tax-free. When the replacement property is ultimately sold (not as part of another exchange), the original deferred gain, plus any additional gain realized since the purchase of the replacement property, is subject to tax. There is no Canadian equivalent to 1031 Exchange.

Asset Manager

A role that provides the strategic direction for a property or portfolio of properties. The Asset Manager guides the tactical execution of property management and leasing, which is conducted by a property manager and leasing agent. An individual investor may act as both owner and Asset Manager. An Asset manager may also be a role in a REIT, REOC or other large entity and there are third party Asset Managers too. The term often is incorrectly used as a synonym for property manager, when they are in fact, separate roles.

Basis Points (BPs)

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

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.

Capitalization Rate or Cap Rate

Unlevered initial return from the acquisition of a real estate asset calculated by dividing net operating income (NOI) by the property sales price. For example, a property's capitalization rate (cap rate) is 10 percent if it is purchased for \$10 million and produces \$1 million in NOI during any one year. The Cap Rate can be used by an investor to determine the current market value of an asset. The Cap Rate is typically calculated using the NOI generated in the first year of ownership so investors can normalize and compare potential returns among competing investment properties, and is called Direct Capitalization when used in this context (See Direct Capitalization).

Cash on Cash

A percent measurement of the net cashflow relative to either the equity or the initial investment.

Commercial Mortgage-backed Securities (CMBS)

CMBS are a type of bond that is commonly issued in U.S. securities markets and is backed by the cash flow from a pool of mortgages on commercial properties. The CMBS are often arranged into groups or "tranches" according to geography, property type or underlying credit rating.

Conveyance

Most commonly refers to the transfer of title to property between parties by deed. The term may also include most of

the instruments by which an interest in real estate is created, mortgaged, or assigned.

Core Investment

An investment in a high-quality real estate asset that is located in a highly accessible and highly desirable submarket. The asset commands among that submarket's highest rents and requires virtually zero near-term capital expenditures. The asset is at least 80 percent leased, carries long-term leases with creditworthy tenants, and is among the most sought-after assets in the market, suggesting there is significant market liquidity.

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. Also known as Debt Service Coverage Ratio. The typical acronyms are DCR or DSCR.

Direct Capitalization

Used to determine a property's probable market price. It is derived by taking the first 12 months of NOI after a transaction and dividing it by the applicable Cap Rate for similar properties.

Discount Rate

Interest rate, desired return or Weighted Costs of Capital (WACC), used in discounted cash flow (DCF) analysis to determine the present value of future cash flows.

Discounted Cash Flow (DCF)

A method of discounting future cash flows into and out of an investment to determine the present value of those cash flows in today's terms.

Easement

A right of use over the property of another created by grant, reservation, agreement, prescription, or necessary implication. It is either for the benefit of adjoining land ("appurtenant"), such as the right to cross A to get to B, or for the benefit of a specific party ("in gross"), such as a public utility easement.

First Mortgage

The senior mortgage which, by reason of its position (i.e. earliest recording date), has priority over all junior or later recorded encumbrances. The holder of the first or senior mortgage has a priority right to payment in the event of default, foreclosure, or sale. See Mortgage.

Foreclosure

A procedure by which the mortgagee ("lender") either takes title to or forces the sale of the mortgagor's ("borrower's") property in satisfaction of an unpaid debt.

Full Recourse Loan

A loan on which a borrower or guarantor is liable in the event of default by the borrower beyond the value of the collateral (i.e. the property), usually personally.

Hold/Sell Analysis

A series of analysis based on both financial and market driven data to determine if continuing to hold the investment is more or less advantageous than selling (liquidating) the current investment and reinvesting in another asset.

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 or reduce) the sum of the development expenditures and incomes to equal zero.

Leverage

Leverage is an investment strategy of using borrowed money—specifically, the use of various financial instruments or borrowed capital—to increase the potential return of an investment. Leverage can also refer to the amount of debt a firm uses to finance assets.

Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage.

Mortgage

A written instrument creating an interest in real estate and that provides security for the payment of a debt, usually repayment of a loan. The borrower (i.e., mortgagor) retains possession and use of the property during the period while payments are made to the lender (mortgagee). See First Mortgage.

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 Operating Income (NOI)

Net Operating income is the income generated after deducting operating expenses but before deducting income taxes, capital expenses, reserves, depreciation and financing expenses.

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.

Property Manager

A role that manages the day-to-day operations, and repairs and maintenance of a property. The Property Manager also handles tenant relations, lease administration and bookkeeping functions, such as rent collection and invoice payment. The Property Manager takes direction from the Asset Manager.

Real Estate Investment Trust (REIT)

A REIT is an entity 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 (aka Units) can be traded like stocks and can allow owners of the shares to participate in the real estate market. Public REITs are traded on public markets such as the TSX and NYSE. Private REITs are not publicly traded. Since a REIT distributes the majority of its net cash, it doesn't pay tax saving the investor a level of taxation prior to taxation in the hands of the investor.

Real Estate Owned (REO)

A sale in which a lender, either institutional or private, sells a property that the lender has taken back through foreclosure.

Real Estate Operating Company (REOC)

A legal entity, other than a REIT, that owns commercial real estate.

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.

Recourse

The right of a lender, in the event of a default by the borrower, to recover against the personal assets of a party who is liable for the debt (e.g. endorser or guarantor).

Rehab

Short for rehabilitation, the extensive renovation of a building or project that is intended to cure obsolescence.

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.

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.

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.

Tenants or 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.

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.

Weighted Average Cost of Capital (WACC)

The weighted average cost of capital, or WACC, is a key business metric, usually expressed as a percentage or ratio, which measures the costs associated with raising funds through different revenue sources. It is often used to provide a discount rate in a discounted cash flow analysis.

Industrial Terminology

The industrial real estate vocabulary section includes definitions, characteristics and features of the major industrial product types.

Industrial Building-related Definitions

Apron

The area, where trucks are parked for loading and unloading within the truck court. 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.

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. For example, a building with a GLA of 800,000 sf would have 800 spaces expressed as 8 spaces/1,000 sf.

Bay Depth

The distance between columns. (Synonyms: clear span, column spacing)

Bay Width

The distance from one side of the bay to the other.

Biotech Space

Highly specialized laboratory or research and development space. The space is uniquely configured and is typically developed to the needs of the biotech tenant. It may require significant retrofit should the tenant vacate the space. The space is often characterized by robust mechanical, electrical and plumbing systems, as well as by sophisticated ventilation systems to accommodate the highly specialized and complex activities that occur inside and that involve the handling of chemicals, drugs and biological matter.

Cantilever Rack

Racking system containing shelving supports that are connected to vertical supports at the rear of the rack. This type of rack is used for storing long material such as lumber and piping.

Ceiling Height

Distance from the floor to the inside overhead upper surface of the room. This measure will be higher than any hanging objects, beams, joists or trusses, unless there is a suspended ceiling.

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. (Synonyms: clear headway, clearance)

Clear Span

An open area with no obstructions.

Column Spacing

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

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).

Distribution Building

A type of warehouse facility designed to accommodate efficient movement of goods. (Typical characteristics are shown in the Industrial Building Types Matrix.)

Dock-high Door

A loading dock door that is not at ground level but rather is elevated to 4 feet 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 loading docks and drive-in doors to the building’s total square feet.

Drive-in Door

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

Flex Facility

As its name suggests, an industrial building designed to be used in a variety of ways. It is usually located in an industrial park setting. Specialized flex buildings can include service centers, showrooms, offices, warehouses and more. (Typical characteristics are shown in the Industrial Building Types Matrix.)

Flex Space

A building providing its occupants flexibility in how they utilize the space for different purposes. Usually provides a configuration allowing a flexible amount of office or showroom space in combination with manufacturing, laboratory, warehouse or distribution space. Typically, this type of space also allows the flexibility to relocate overhead doors. Generally constructed with grade level loading facilities, load-bearing floors, and high ceilings but with little or no common area.

Fulfillment Center

An industrial property type that enables goods to be efficiently moved or transported from a warehouse directly to a consumer. (Typical characteristics are shown in the Industrial Building Types Matrix.)

High Cube

A relative term that refers to industrial buildings with an abundance of clear height or vertical cubic space. (Synonym: high bay)

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. (The typical characteristics of the most common types of industrial buildings are shown in the Industrial Building Types Matrix.)

Leveler

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. A building equipped with multiple loading docks may not have a leveler for each dock.

Less than Truckload or Less than Load (LTL) Shipping

LTL is the transportation of lightweight freight or smaller groupings of freight. LTL shipments typically weigh between 151 and 20,000 lbs. LTL carriers collect freight from various shippers and consolidate that freight onto enclosed trailers for line haul (the movement of cargo between two major cities or ports) to the delivering terminal or to a hub terminal.

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.

Loading docks can be exterior ramps that protrude from a building and that are covered with a canopy or some element to protect the loading area from the elements. Otherwise, they can be flush with the exterior of the building and accessed through a sliding door that is adjacent to the interior of the building.

Manufacturing Building

A facility used for the conversion, fabrication or assembly of raw or partly wrought materials into products or goods. (Typical characteristics are shown in the Industrial Building Types Matrix.)

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.

Office Percentage

The percentage of total square feet in an industrial building that is built for use as office space. When the mezzanine office is built above a space that would otherwise be an industrial work area, this additional square footage is not counted in the total square footage of the building.

Push-back Rack

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

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.

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.

Service Center or Showroom

A type of flex facility characterized by a substantial showroom area, usually fronting a freeway or major road. (Typical characteristics are shown in the Industrial Building Types Matrix.)

Side-loading Dock

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

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.

Third-party Logistics (3PL)

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

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 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. (Typical characteristics are shown in the Industrial Building Types Matrix. On Next Page)

Industrial Building Types Matrix

	Manufacturing	Warehouse				Flex	
Primary Type	General Purpose	General Purpose Warehouse	General Purpose Distribution	Truck Terminal	Fulfillment Center	General Purpose Flex	Service Center or Showroom
Primary Use	Manufacturing	Storage	Distribution	Truck Transportation	Distribution	Research and Development, Cold Storage, Office, Lab, Light Manufacturing, High-tech, Data or Call Center	Retail Showroom
Subsets	Heavy, Light Manufacturing	Bulk Warehouse, Cold or Refrigerator Storage, Freezer Storage, High-Cube	Overnight Delivery Services, Air Cargo	Heavy, Light Manufacturing	Delivery directly to consumer		
Size (sf)	Any	Any	Any	Any	100,000 – 1,000,000 +	Any	Any
Clear Height (ft)	10+	16+	16+	12–16	32+	10–24	Any
Loading Docks or Doors	Yes	Yes	Yes	Cross-dock	Yes	Yes	Yes
Door-to-square-foot Ratio	Varies	1:5K–15K	1:3K–1K	1:50K–5K	Varies	1:15K+	1:10K
Office Percentage	< 20%	< 15%	< 20%	< 10%	< 20%	30–100%	30+%
Vehicle Parking Ratio	Varies	Low	Low	Varies	Very High	High	High
Truck-turning Radius (ft)	130	130	120–130	130	130	110	110

Note: This matrix is intended to be an aid in classifying the principal industrial building types. It is intended to be typical characteristics of different properties, but actual characteristics may vary. In classifying properties, the owner should select the classification that most closely fits the design and use of the property.

The most important characteristics of each type are highlighted. Although the characteristics are not “acid tests,” they should guide the user in most instances.

The truck-turning radius is an important consideration and varies by building size. Large, pure distribution facilities need a turning radius of at least 130 feet, medium to large facilities need 120 feet and smaller facilities typically need 110 feet.

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 (as in a roof truss).

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.

Warehouse

A facility primarily used for the storage or distribution or both of materials, goods and merchandise. (Typical characteristics are shown in the Industrial Building Types Matrix.)

Office Terminology

The office terminology section is a collection of essential and commonly used terms describing various types of office space—often identified by the type(s) of tenants occupying the space. This section captures definitions around the current trends impacting the sector such as shared office space and more traditional terms such as “space classification.”

Office Building-related Definitions

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.

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 day, month, year 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.

Creative Office Space

Previously industrial space with high ceilings and exposed air ducts. The space is often made of brick and timber and has been converted to office or studio space that often caters to technology, advertising, media and entertainment tenants (TAME).

Government Office Building

A building that is owned (and typically occupied) by public sector entities.

Hot Desk

A form of office space use wherein employees have no designated space within the premises. For

example, an office use with multiple outside sales representatives who rarely use the office space may share a desk or space if it is available.

Hotelling or Office Hotelling

A form of office space use wherein employees have a shared but dedicated desk or space and use it on a scheduled basis. Often used when a role is shared amongst two or more people.

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.

Innovation Center or District

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

Medical Office Building (MOB)

A structure with at least 75 percent of its interior built out to accommodate healthcare providers such as doctors and dentists or healthcare technicians who perform exams with specialized equipment. Typically, the buildings have more robust mechanical, electrical and plumbing systems as well as reinforced floors to accommodate numerous exam rooms and heavy medical equipment.

Mixed-use Development (MXD)

The grouping of multiple significant uses within a single site or building such as retail, office, residential or lodging facilities. Examples include office buildings that contain ground-level retail and housing, plus projects that have separate office, retail and multifamily properties.

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.

Multitenant Office Building

A building that is not owner occupied and space that is leased to two or more tenants.

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 Condo or Office Strata

Short for “office condominium,” this term refers to the ownership structure of an office 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 and the elevators.

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.

Owner-occupied Office Building

Buildings that are occupied by the owner and that generally are not included in the competitive inventory.

Secured Compartmental Information Facility or Sensitive Compartmented Information Facility (SCIF) Space

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.

Single-tenant Office Building

A building for which there is a single lease obligation.

Stacking Plan

A floor-by-floor and suite-by-suite graphical representation of each floor and suite within a vertical 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. See also Lease Plan.

Office Building Classifications

The real estate industry uses a subjective classification system that divides buildings into three qualitative categories: Class A, Class B and Class C. Building classifications are relative and applied to all buildings that make up the competitive inventory in a market. A building that is Class A in a second-tier market may not be Class A in a first-tier market. The designations are determined primarily on the basis of building locations or submarkets, rents, building systems and finishes, and building upkeep and services.

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. These properties are more desirable than Class A buildings.

Class A Building

A classification used to describe an office building with rents in the top 30 to 40 percent of the marketplace. Class A buildings are well-located in major employment centers and typically have good transit, vehicular and pedestrian access. Additionally, they are located adjacent to or in proximity to a high number of retail establishments and business-oriented or fast casual restaurants. Building

services are characterized by above-average upkeep and management.

Class B Building

A classification used to describe an office building with rents that are based between those of Class A and Class C buildings. Class B buildings are in good to fair locations in major employment centers and have good to fair transit, vehicular and pedestrian access. They are located adjacent to or in proximity to a moderate number of retail establishments and business- oriented or fast casual restaurants. Building services are characterized by average upkeep and management.

Class C Building

A classification used to describe an office building with rents in the bottom 10 to 20 percent of the marketplace. Class C buildings are in less-desirable locations relative to the needs of major tenant sectors in the marketplace. They can be older, neglected buildings in good locations or moderate-level buildings in poor locations, so transit, vehicular and pedestrian access may vary. Typically, fewer amenities and restaurants are found in or near these buildings, and they are usually of moderate to low quality. Building services are characterized by below-average upkeep and management.

Office Building Classification Matrix

	Class A	Class B	Class C
Rents	Asking gross rents are based on a specified range in the top 30-40% of the office rents in the marketplace.	Asking gross rents are based on a specified range between the asking gross rents for Class A and Class C space.	Asking gross rents are based on a specified range in the bottom 10-20% of the office rents in the marketplace.
Location	The site is excellent and well-located.	It has an average-to-good location.	A less-desirable location depends chiefly on a lower price to attract tenants.
Building Systems	The mechanical, elevator, HVAC and utility systems can deliver services that meet both current tenant requirements and anticipated future tenant needs.	The mechanical, elevator, HVAC and utility systems are adequate to deliver services currently required by tenants.	The mechanical, elevator, HVAC and utility systems have capacities that may not meet current tenant needs.
Building Finishes	The finishes feature high-quality design and materials. Buildings must remain competitive with new construction.	The finishes use average-to-good quality design and materials.	The finishes project a dated appearance.
Building Services	Services include above-average maintenance, management and upkeep.	Services include average-to-good maintenance, management and upkeep.	Services include below-average maintenance, management and upkeep.

Note: This matrix is intended to serve as a guide for those who are evaluating buildings and determining their classifications with the following caveats:

- The final designation of Class A, B or C is always relative to the local market or submarket being analyzed. For example, buildings considered Class B in the central business district (CBD) might be considered Class A in the suburbs.
- The primary considerations for determining class are listed in the matrix. However, other variables worthy of consideration may include age, amenities, parking, construction materials and architecture.
- Buildings must exhibit more than one of the characteristics in each category, but they need not exhibit all of them to obtain that classification.

Retail Terminology

Retail-related real estate has been changing as a result of online sales and home delivery stemming from demographic shifts and technological advancements. This section defines traditional and new retail-related concepts, especially those relating to store formats and methods of delivery.

Retail Building-related Definitions

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.

Big Box

A freestanding structure occupied by a dominant retailer such as Home Depot. (See Retail Building Types Matrix.)

Breakpoint

The point at which an additional lease rate kicks in. For example, in addition to base rent, after a certain amount of sales revenue is generated in a month, a retailer will pay the landlord some percentage of in-store sales.

Buy Online and Pick up in Store (BOPIS)

(See *omni-channel retail*.)

Buy Online and Return in Store (BORIS)

(See *omni-channel retail*.)

Community Center or Community Shopping Center

A retail property with a wide range of apparel and general merchandise stores, as well as discount retailers or department stores such as Walmart, Kmart and Target. (See Retail Building Types Matrix.)

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.

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.

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.).

Freestanding

A stand-alone retail structure that is not part of a complex (i.e., bank, bowling alley, Walmart, etc.). (See Retail Building Types Matrix.)

Go Dark

A clause in a retail tenant’s lease that allows a tenant to cease operations at a property if a defined event, such as the departure of an anchor tenant, should occur.

Gross Leasable Area (GLA)

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

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.

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.

Kiosk

A small, physically independent stand or cart often placed within the common area of a retail structure (typically a regional mall) from which specialty goods are sold.

Lease Plan

Similar to a Stacking Plan and contains similar information. However, whereas a stacking plan looks at vertical building’s elevation, a lease plan is used in a single storey property such as retail or warehouse from a bird’s eye, top down perspective.

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.)

Locker

A storage compartment that enables a purchaser to pick up merchandise at a convenient satellite location. This arrangement allows for a type of self-service parcel delivery. Customers can select any locker location as their delivery address and can retrieve orders at that location by entering a unique pickup code on the locker touchscreen.

M-commerce

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

Neighborhood Shopping Center

This type of retail property is most commonly found in the United States. Anchored by supermarkets and drug stores, the centers are typically one-level, rectangular structures with surface parking in the front and merchandise loading areas in the back. They provide for the sale of convenience goods (food, drugs, etc.) and personal services (laundry, dry cleaning, etc.) for the day-to-day living needs of the immediate neighborhood. (See Retail Building Types Matrix.)

Omni-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. (Synonym: Multichannel Retail)

Online or Pure Play Retailer

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

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. (See Retail Building Types Matrix.)

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. (See Retail Building Types Matrix.)

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.

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.
(See Retail Building Types Matrix.)

Super-regional Shopping Center

The enclosed, large anchor tenants that sell general merchandise and fashion offer more variety than does a regional center. (See Retail Building Types Matrix.)

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. (See Retail Building Types Matrix.)

Traditional Retailer

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

Turn-key

A term used to describe a landlord’s agreement to provide and pay for improvements to a tenant’s premises. The landlord is required to deliver the premises in a condition ready for the tenant’s stipulated use.

Retail Building Types Matrix

Center Type	Concept	Square Feet (approx.)	Typical Anchor(s)	Parking Type and Ratios	Primary Trade Area	Examples
Superregional	Enclosed, large anchor tenants, general merchandise and fashion, more variety than a regional center	800K +	Five or more department stores, tenants that sell a very large variety of goods	Surface or structured	25 miles	Tysons Corner Center, Tysons Corner, VA King of Prussia Mall, King of Prussia, PA West Edmonton Mall
Regional	Enclosed, large anchor tenants, general merchandise and fashion	400K to 800K	Fewer than five department stores, tenants that sell a large variety of goods	Surface or structured	15 miles	Santa Monica Place, Santa Monica, CA Park Place, Vancouver, BC
Community, Grocery Anchored	Open to parking lot, provides general merchandise and commodities	125K to 400K	Discount department store, supermarket, drug store	Surface	3 to 6 miles	-----
Neighborhood	Open to parking lot, provides commodities to nearby neighborhoods	3K to 125K	Supermarkets or drug stores	Surface	3 miles	-----

Strip or Convenience	Open to parking lot, located along suburban transportation arteries on shallow parcels	Less than 30K	Typically no anchor	Surface		-----
Lifestyle	Upscale national chain specialty stores, dining or entertainment, urban-like Main Street concept, pedestrian circulation in core, vehicular circulation along perimeter	150K to 500K	Bookstore or other large-format specialty, cinema, small department store	Structured or street	8 to 12 miles	The Grove, Los Angeles, CA Americana at Brand, Glendale, CA Morgan Crossing, Surrey, BC
Power	Multiple category-dominant anchors such as Home Depot (i.e., multiple big boxes) with a few small stores	250K to 600K	Home improvement; warehouse club; off price	Surface	5 to 10 miles	-----
Big Box	A freestanding category-dominant retailer such as Home Depot	Minimum of 50K		Surface		-----
Freestanding	Stand-alone retail structure that is not part of a complex (i.e., bank, bowling alley, Walmart, etc.)			Surface		-----
Outlet	Manufacturers' outlet stores	50K to 400K	Manufacturers' outlet stores		25 to 75 miles	Tsawwassen Mills, GVA

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This glossary is not meant to be exhaustive or conclusive as the terms and practices in the industry are constantly changing. **If you feel this glossary would be enhanced with the inclusion of other terms we would like to know.** Please email Admin@GreensteadCG.com and include the name and meaning of the term to be included.