



## Glossary of Commercial Real Estate Terms

Term	Definition	Explanation
Absorption	The change in occupied space from period to period	Helps measure how much new space was taken up during the quarter. Vacancy measures how much is vacant, but this can be impacted by new construction, buildings taken off the market, etc. Absorption measures the growth in used space.
Anchor	A major tenant in a retail center	The anchor tenant sets the tone for the entire development and determines what type of retailers will be interested in the center. They typically pay far lower rent on a per square foot basis, and may also have some say in what else happens in the center. Department stores, grocery stores, etc. are often anchors
As-Is / As-Built	The space will be leased exactly the way it is now, the landlord won't fund any improvements	The means a tenant will have to pay to make any additional changes to the space that they need. Usually means either the space is new and finished to a level that is acceptable but may need extra amenities, OR that a previous tenant built out the space and the landlord is not willing to renovate it. Changes will be up to the leasing company.
Asking Rent	The amount of rent that a landlord is advertising for a space. Quoted as the dollars per square foot per year	Helps narrow down initial tenant options for space. They may negotiate this rent downwards from the asking rate
Base Year	The base amount of operating expenses a tenant is expected to pay. Usually the amount in the year that they lease is signed. These are the expenses covered by the full service lease	A tenant in a full service lease may still have to pay for their share of any increasing expenses over the rate in the year that they signed. Protects the landlord in case energy costs, etc. skyrocket.
Big Box	A stand-alone building that usually sells one type of item	Examples are Best Buy, Home Depot, Sam's Club, etc. These types of stores locate near each other in power centers.
Buildout	The amount of finish a space has. A shell space has drywall and carpet, for instance. A more extensive buildout would have some offices built in, perhaps	The amount of buildout determines how soon the space can be moved into. Also, some users like higher levels of finish, and others just want usable space.



	cubes, a reception desk, etc.	
Cap rate	Stands for capitalization rate. This number helps a potential buyer determine the amount of return they will see for a given investment	Using the cap rate allows buyers to compare different investments. Only applies to investment properties.
Certificate of Occupancy	Permission by the government/building inspector to have tenants move into the building	When a new building is completed, the inspector must certify it as safe and up to code.
Class A, B, C	Relative classification of office buildings in terms of finish, amenities and physical attributes	A Class A building will cost more, but will also offer a tenant some increased efficiencies including upgraded wiring, fiber optics, lobbies, etc. Class A properties also have nicer lobbies and shared areas.
Common Area Factor	The common areas of a building are those used by all tenants, such as a lobby, elevator, or hallway. The factor represents the ratio of common areas to total building square footage	The number is used to calculate how much a tenant will pay for their share of a building's upkeep. Tenants occupying more square feet will pay a larger proportion of the common area factor.
Concessions	Discounts given to tenants wither as money off on a lease or free rent, paying moving expenses, etc.	A part of the lease package that helps a tenant compare different lease options. Some concessions are more useful to tenants than others, either by shifting costs farther in the future or paying for large up front expenses.
Condominium	A type of ownership of individual units in a multi-unit structure. Can be a suite, a floor or a section of a building	Offer an opportunity for companies to own their space without having to purchase a whole building or deal with management issues.
Contiguous Space	Means two spaces are adjacent to each other on the same floor or floors directly above or below	Tenants looking for various sizes of space can look for space that is contiguous in the building – they will occupy adjacent floors in the building. Having floors not next to each other is inefficient. This shows a tenant what blocks in a building can be added together or divided to make the necessary square feet for them to move in.
Contingencies	These are items that have to be met, changed, or remedied in order for a deal to close	Examples could include new roof, site survey, proof of insurance, inspection, escrow money, etc.
Contract Rent	Amount of rent a tenant pays	The contract rent is the base rent, and



	their first year, or the first period if other than a year	escalations (rent increases) are added to this number each year (or period).
Core Factor / Load Factor	The amount of the building that is dedicated to shared areas such as lobbies, elevators, etc.	Important to know, as tenants also pay for their share of common space in addition to the space they lease.
Divisible Minimum / Maximum	The smallest and largest sizes that a space can be made into	A large space may be able to be broken down into several smaller spaces so it could accommodate several smaller users or one large user.
Effective Rate	The actual amount of rent paid on average per year	This amount takes into account any free rent, changing rent amounts, and tenant improvements into one uniform measure of cost.
End Cap	The store at the corner of a strip mall type development	These end units often have two walls of glass instead of just one and therefore have more visibility to customers and are more attractive
Estoppel	A signed statement that summarizes the terms of the lease. Typically executed by tenant	Typically required by a lender when a building is being sold or refinanced. A lender has to have signatures from all the tenants that the lease terms are accurate in order to finance a loan.
Hard Corner	At an intersection, the hard corner is the lot that is right at the corner, with one edge on each road	The hard corner is the most desirable location for retailers. It has the best visibility and the best access for customers.
In-Line Space	Refers to space that is in a strip center, or side by side in a center fronting the parking lot or street (as opposed to an interior mall space or stand-alone building)	Usually attracts small tenants who benefit from proximity with other tenants.
Letter of Intent	A written statement saying that two parties are negotiating an agreement for a space of building. It might be signed by both parties, indicating that the agreement will go forward with provisions, or just by one party, when they are indicating that they would accept an offer based on certain term	Usually the step that occurs before the lease is actually signed. Is where a landlord offers terms to a tenant, or tenant tentatively agrees to terms of lease or sale.
Net Operating Income (NOI)	Income that a landlord gets from a property after paying expenses	Allows investors to compare different investments based on the actual dollars returned.
Net Present Value	The total cost or gain of	Makes it possible to compare the



(NPV)	something (a lease term, a building hold period) when compared over the same period of time	relevant cost or gain from two different lease terms, two different sales scenarios that may have different time frames. Takes into account the future sales gains or costs of the deal as well as the costs now and costs in between.
Parking Ratio	The number of parking spaces per 1,000 square feet of office space	Determines how many employees can park on site.
Plain Vanilla Shell	A retailing term for a new space that comes without any build out, and the retailer will add ceiling, carpet, and amenities	If a space is a plain vanilla shell, it will take longer to build out and cost more, but will be customized to the needs of the tenant.
Power Center	A type of shopping center made up of a lot of single item stores	These are the types of shopping centers with PetsMart, Staples, Best Buy, etc. They are a relatively new type of retail center and often are located near existing malls.
Rent Roll	List of all tenants in building and when all of their leases expire. Usually includes lease length, rates, etc.	Useful for investors looking at a building's financial status. Also useful as brokers look at a building for cold calling.
Request for Proposal	A document sent out to various landlords or owners, inviting them to submit their best offer of a lease rate and terms for space the tenant wants to lease	Allows a tenant to see what various buildings are willing to offer. Also lets tenant ask about specific options.
Sale – Lease Back	When a company sells their building to an investor and then signs a long-term lease for the space, providing income for the investor	A company that owns a building may have a good portion of their money tied up in real estate. Selling the building and leasing it back can allow them to use more of their money to expand their business and can also provide tax benefits.
Strip Center	A shopping center where stores are all in a line, with parking in front. Typical of a grocery store center	Usually occupied by stores that want easy access and have customers visit for short periods.
Tenant Improvements	The amount of money given to a company to improve the space	This money is used to repaint or carpet, add offices, or make any other improvements to the space. The landlord will grant a certain amount of tenant improvement dollars in the lease, additional dollars desired by the tenant for extra touches can be added into the



		lease.
Transit Oriented Development	A development that is near a light rail station	Developments like this are usually mixed-use and encourage people to walk, bike, and take the train more than drive.
Triple Net Lease (NNN)	A lease that represents only the rent on the space. The utilities, taxes, etc. are paid separately by the tenant	This is more common in industrial properties because industrial companies may spend hugely different amounts for power, in sales tax, etc. depending on what they do.
Vacancy Rate	The percentage of space that is vacant – calculated by dividing vacant space by total square feet	Used in comparing various markets, vacancy is a good measure of how much relative space is available in a submarket.
Warehouse/Distribution	These are buildings where things are stored to be distributed elsewhere	There are users that need this space, like furniture companies who need extra storage, and there are also companies that manage the storage of goods that are being transported.
Yard	The amount of lot area not covered by a building or parking for the building	Many industrial users need extra yard space to store vehicles, products, or raw materials. Some buildings do not offer any additional yard space beyond parking, and some may have zoning regulations that prohibit outdoor storage.
Zoning	Industrial zoning is usually I-0, I-1, I-2, or I-3. The higher the number, the dirtier the industry that can be done on the site	A manufacturer of toxic substances or intensive substances, or painter, etc. will need higher zoning to be able to operate in a given building.