



Brokerage Dictionary:

Abatement: Often and commonly referred to as free rent or early occupancy and may occur outside or in addition to the primary term of the lease.

ADA: The acronym for "Americans with Disabilities Act". No individual may be discriminated against on the basis of disability with regards to the full and equal enjoyment of the goods, services, facilities, or accommodations of any place of *public accommodation* by any person who owns, leases (or leases to), or operates a place of *public accommodation*. "Public accommodations" include most places of lodging, recreation, transportation, education, and dining, along with stores, care providers, and places of public displays, among other things.

Anchor: The tenant that serves as the main draw to a commercial property, usually the largest tenant in a shopping center (i.e. a grocery store, movie theater, department store, etc.)

Appraisal: An estimate of opinion and value based upon a factual analysis of a property by a qualified professional.

"As-Is" Condition: The acceptance by the tenant of the existing condition of the premises at the time the lease is consummated. This would include any physical defects.

Assignment: A transfer by lessee of lessee's entire rights in the property to a sub-lessee.

Balloon Payment: A large principal payment that typically becomes due at the conclusion of the loan term. Generally, it reflects a loan amortized over a longer period than that of the term of the loan itself (i.e. payments based on a 25 year amortization with the principal balance due at the end of 5 years).

Base Rent: A set amount used as a minimum rent in a lease with provisions for increasing the rent over the term of the lease.

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

Brokerage Commission: A fee that is paid to a licensed real estate broker in accordance to the terms of a commission agreement. A brokerage commission ("fee") is typically due to the real estate broker when a real estate transaction is leased or sold.

Build-out: The space improvements put in place per the tenant's specifications. Takes into consideration the amount of Tenant Finish Allowance provided for in the lease agreement.

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.

Capitalization: A method of determining value of real property by considering net operating income divided by a predetermined annual rate of return. Example: a cap rate of 10 percent, an income stream of \$100,000 per year is worth \$1,000,000. $\$100,000 \div 10 \text{ percent} = \$1,000,000$

Capitalization Rate: The rate that is considered a reasonable return on investment. Used to determine and value real property through the capitalization process. Simply, a cap rate is an expression of risk.

Certificate of Occupancy ("C of O"): 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.

Common Area: 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 share of building operating expenses.

Common Area Maintenance (CAM): This is the amount of Additional Rent charged to the tenant, in addition to the established base rent to maintain the common areas of the property shared by the tenants, HOAs and from which all tenants benefit. Examples include: snow removal, outdoor lighting, parking lot sweeping, insurance, property taxes, etc. CAM is one portion of the triple net expenses, NNN.

Comparables: 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.

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. The CPI is commonly used to increase the base rental periodically as a means of protecting the landlord's rental stream against inflation.

Contiguous Space: (1) Multiple suites/spaces within the same building and on the same floor which can be combined and rented to a single tenant. (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).

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.

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

Deed: A legal instrument transferring title to real property from the seller to the buyer upon the sale of such property.

Deed Of Trust: An instrument used in many states in place of a mortgage by which real property is transferred to a trustee by the borrower (trustor), in favor of the lender (beneficiary), to secure repayment of a debt.

Default: The general failure to perform a legal or contractual duty or to discharge an obligation when due. Some specific examples are: 1) Failure to make a payment of rent when due. 2) The breach or failure to perform any of the terms of a lease agreement.

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.

Earnest Money: The monetary advance by a buyer of part of the purchase price to indicate the intention and ability of the buyer to carry out the contract.

Early Termination: A right and/or clause provided by a landlord, in a lease to prematurely end the lease contact by the tenant. Early termination clauses

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 individual ("in gross"), such as a public utility easement.

Effective Rent: The actual rental rate to be achieved by the landlord after deducting the value of concessions from the base rental rate paid by a tenant, usually expressed as an average rate over the term of the lease.

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 real property)

End Cap: Corner space of a retail building or shopping center. Typically, the most visible retail space and commands the highest rental rate.

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

Estoppel Certificate: A signed statement certifying that certain statements of fact are correct as of the date of the statement and can be relied upon by a third party, including a prospective lender or purchaser. In the context of a lease, a statement by a tenant identifying that the lease is in effect and certifying that no rent has been prepaid and that there are no known outstanding defaults by the landlord (except those specified).

Exclusive Agency Listing: A written agreement between a real estate broker and a property owner in which the owner promises to pay a fee or commission to the broker if specified real property is leased during the listing period. The broker need not be the procuring cause of the lease.

Exclusive Use: A Lessee/Tenant's exclusive right to operate and/or sell a product on a property that has multiple suites and/or spaces (i.e. a retailer/lessee has the exclusive right to sell pizza on the property).

FF&E: The acronym for "Furniture, Fixtures & Equipment". Movable furniture, fixtures or other equipment that are have no permanent connection to the structure of a building or utilities.

First Generation Space: Generally refers to new space that is currently available for lease and has never before been occupied by a tenant.

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 a third party offer that the owner has expressed a willingness to accept.

First Refusal Right or Right Of First Refusal (Adjacent Space): A lease clause giving a tenant the first opportunity to lease additional space that might become available in a property 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.

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.

Full Service Rent: An all-inclusive rental rate that 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.

Gross Lease: A lease in which the tenant pays a flat sum for rent out of which the landlord must pay all expenses such as taxes, insurance, maintenance, utilities, etc.

Ground Rent: Rent paid to the owner for use of land, normally on which to build a building. Generally, the arrangement is that of a long-term lease (e.g. 99 years) with the lessor retaining title to the land.

Guaranty: Agreement whereby the guarantor undertakes collaterally to assure satisfaction of the debt of another or perform the obligation of another if and when the debtor fails to do so.

Hold Over Tenant: A tenant retaining possession of the leased premises after the expiration of a lease.

Hours of Operation: A lessee/retailer's established minimum or maximum hours to be open for business to the public. Typically, open at least eight hour per day, six days a week.

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.

In-Line Space: A retail space that is located between two retailers or "in-between".

Lease: An agreement whereby the owner of real property (i.e., landlord/lessor) gives the right of possession to another (i.e., tenant/lessee) for a specified period of time (i.e., term) and for a specified consideration (i.e., rent).

Lease Agreement: The formal legal document entered into between a Landlord and a Tenant to reflect the terms of the negotiations between them; that is, the lease terms have been negotiated and agreed upon, and the agreement has been reduced to writing. It constitutes the entire agreement between the parties and sets forth their basic legal rights.

Lease Commencement Date: The date 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 beneficial occupancy is possible.

Leasehold 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 Landlord.

Letter Of Intent: A preliminary letter that outlines the terms of a proposed agreement for a final contract (Lease Agreement). They are most often "non-binding" and used as a written form of negotiation between the lessor/landlord and lessee/tenant.

Lien: A claim or encumbrance against property used to secure a debt, charge or the performance of some act.

Listing Agreement: An agreement between the owner of a property and a real estate broker giving the broker the authorization to attempt to sell or lease the property at a certain price and terms in return for a commission, set fee or other form of compensation.

Long Term Lease: In most markets, this refers to a lease whose term is at least ten (10) years from initial signing until the date of expiration or renewal option.

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.

Master Lease: A primary lease that controls subsequent leases and which may cover more property than subsequent leases. An Executive Suite operation is a good example in that a primary lease is signed with the landlord and then individual offices within the leased premises are leased to other individuals or companies.

Mixed-Use: Space within a building or project providing for more than one use (i.e., a loft or apartment project with retail, an apartment building with office space, an office building with retail space).

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. These costs may include property taxes, insurance, repairs, utilities, and maintenance. Also know as a "NNN" (triple net) lease.

Net Rentable Area: The floor area of a building that remains after the square footage represented by vertical

penetrations, such as elevator shafts, etc., has been deducted. Common areas and mechanical rooms are included and there are no deductions made for necessary columns and projections of the building. (This is by the Building Owner and Manager Association - BOMA, Standard).

Non-Compete Clause: A clause that can be inserted into a lease 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 can occupy space in the building. This clause benefits service-oriented businesses desiring exclusive access to the building's population (i.e. travel agent, deli, etc.).

Operating Expenses: The actual costs associated with operating a property including maintenance, repairs, management, utilities, taxes and insurance.

Parking Ratio: The intent of this ratio is to provide a uniform method of expressing the amount of parking that is available at a given building. Dividing the total rentable square footage of a building by the building's total number of parking spaces provides the amount of rentable square feet per each individual parking space (expressed as 1/xxx or 1 per xxx). Dividing 1000 by the previous result provides the ratio of parking spaces available per each 1000 rentable square feet (expressed as x per 1000).

Pass Throughs: Refers to the tenant's share of operating expenses (i.e. taxes, utilities, insurance, repairs) paid in addition to the base rent. Also referred to as NNN or triple net charges.

Percentage Lease: Refers to a provision of the lease calling for the landlord to be paid a percentage of the tenant's gross sales as a component of rent. There is usually a base rent amount to which "percentage" rent is then added at a predetermined "natural" or "unnatural" breakpoint. This type of clause is most often found in restaurant leases.

Preleased: Refers to space in a proposed building that has been leased before the start of construction or in advance of the issuance of a Certificate of Occupancy.

Pro rata: Proportionately; according to measure, interest, or liability. In the case of a tenant, the proportionate share of expenses for the maintenance and operation of the property.

Real Property: Land, and generally whatever is erected or affixed to the land, such as buildings, fences, and including light fixtures, plumbing, hood systems, sinks, walk-in coolers, doors and heating fixtures, or other items which would be personal property if not attached.

Renewal Option: A clause giving a tenant the right to extend the term of a lease, usually for a stated period of time and at a rent amount as provided for in the option language.

Rent: Compensation or fee paid, usually periodically (i.e. monthly rent payments, for the occupancy and use of any rental property, land, buildings, equipment, etc).

Rent Commencement Date: The date on which a tenant begins paying rent. The dynamics of a marketplace will dictate whether this date coincides with the lease commencement date or if it commences months later (i.e., in a weak market, the tenant may be granted several months free rent). It will never begin before the lease commencement date.

Rent-Up Period: That period of time, following construction of a new building, when tenants are actively being sought and the project is approaching its stabilized occupancy.

Representation Agreement: An agreement between a tenant/retailer and a real estate broker giving the broker the authorization to attempt to locate and secure a property location(s) under tenant directed criteria and lease the property in return for a commission, set fee or other form of compensation.

Request for Proposal ("RFP"): The formalized Request for Proposal represents a compilation of the many considerations and requirements that a tenant or landlord might have and should be customized to reflect their specific needs.

Sale-Leaseback: An arrangement 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 and continue to occupy space as a tenant. Although the lease technically follows the sale, both will have been agreed to as part of the same transaction.

SDCs: The acronym for “System, Development, Charges”. Fees levied by governmental agencies for new development to recover all or part of the costs of building certain infrastructure needed to serve that development. Oregon law only allows SDCs for five types of infrastructure: water, sewers, transportation, parks and recreation.

Second Generation or Secondary Space: Refers to previously occupied space that becomes available for lease.

Security Deposit: A deposit of money by a tenant to a landlord to secure performance of a lease.

Setback: The distance from a curb, property line or other reference point, within which building is prohibited.

Setback Ordinance: Setback requirements are normally provided for by ordinances or building codes. Provisions of a zoning ordinance regulate the distance from the lot line to the point where improvements may be constructed.

Shell Space: The interior condition of the tenant's premises when it is 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 denotes the floor, windows, walls and roof of an enclosed premises and may include some HVAC, electrical or plumbing improvements but not demising walls or interior space partitioning. In a new multi-tenant building, the common area improvements, such as lobbies, restrooms and exit corridors may also be included in the shell construction. In a retail project, all or a portion of the floor slab is often installed along with the tenant improvements so as to better accommodate tenant specific under-floor plumbing requirements.

Signage: Any kind of graphics created to display information to a particular audience, typically wayfinding information on streets, outside and inside of buildings. Types of signage varies significantly from “canned”, “freestanding”, “channel-lume”, “neon”, “banned”, “marquee”, “pylon”, “directional”, “hanging”, “monument”, etc.

Site Plan: A detailed plan which depicts the location of improvements on a parcel of land which also contains all the information required by the zoning ordinance.

Space Plan: A graphic representation of a tenant's space requirements, showing wall and door locations, room sizes, and sometimes includes furniture layouts. It must be sufficiently detailed to allow an accurate estimate of the construction costs. This final space plan will often become an exhibit to any lease negotiated between the parties.

Special Assessment: Any special governmental charge levied against real property for issuance of tenant improvements (e.g., sidewalks, streets, water and sewer, etc.) that benefit the assessed property.

Step-Up Lease (“Lease Bumps”): A lease specifying set increases in rent at set intervals during the term of the lease.

Strip Center: Any shopping area, generally with common parking, comprised of a row of stores without an anchor tenant.

Tenant (Lessee): One who rents real estate from another and holds an estate by virtue of a lease.

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.

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.

Tenant Improvement ("TI") Allowance or Work Letter: Defines the fixed amount of money contributed by the landlord toward tenant improvements. The tenant pays any of the costs that exceed this amount. Also commonly referred to as "Tenant Finish Allowance.

TIFs: The acronym for "Traffic Impact Fees". TIFs are levied by governmental agencies on new developments or change of uses as fees to improve the transportation system to accommodate the higher travel demand added by new development.

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 existing against it at the time the title policy is issued.

Title Search: A review of all recorded documents affecting a specific piece of property to determine the present condition of title, thus ownership.

Trade Fixtures: Personal property that is attached to a structure that are used in the business (i.e. furniture). Since this property is part of the business and not deemed to be part of the real estate, it is typically removable upon lease termination.

Triple Net (NNN) Rent: A lease in which the tenant pays, in addition to base rent, certain costs associated with a leased property, which may include property taxes, insurance premiums, repairs, utilities, and maintenances.

Under Contract: A property for which the seller has accepted the buyer's offer to purchase is referred to as being "under contract". Generally, the prospective buyer is given a certain period of time in which to perform its due diligence and finalize financing arrangements. During the period of time the property is under contract, the seller is precluded from entertaining offers from other buyers.

Unencumbered: Describes title to property that is free of liens and any other encumbrances. Free and clear.

Use: The specific purpose for which a premises/space is intended to be used or for which it has been designed or arranged upon lease (i.e. a shoe store, a restaurant, etc.)

Vacancy Rate: The total amount of available space compared to the total inventory of space and expressed as a percentage.

Vacant Space: Refers to existing tenant space currently being marketed for lease. This excludes space available for sublease.

Work Letter: A 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, etc. The work letter often carries a dollar value but is contrasted with a fixed dollar tenant improvement allowance that can be used at the tenant's discretion.

Zoning: The division of a city or town into zones and the application of regulations having to do with the structural, architectural design and intended use of buildings within such designated zone.