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Specializing in the Sale of Residential & Commercial Real Estate in South Florida

Glossary of Terms

Absorption - The rate, expressed as a percentage, at which available space in the marketplace is leased during a predetermined period of time.

Abstract of Title - A condensed version of the history of title to a piece of land that lists any transfers in ownership, as well as any liabilities attached to it, such as mortgages.

Acre - A measure of land equal to 43,560 square feet.

Ad Valorem - According to value.

Adjustable Rate Mortgage (ARM) - A mortgage loan whose interest rate fluctuates according to the movements of an assigned index or designated market indicator--such as the weekly average of one-year US Treasury Bills--over the life of the loan. To avoid constant and drastic fluctuations, ARMs typically limit how often and by how much the interest rate can vary.

Adjustment Date - The date on which the interest rate changes for an adjustable rate mortgage (ARM).

Amortization - Calculation to determine a regular-interval payment plan over time, with interest, to pay a set sum.

Anchor Tenant - The major or prime tenant in a shopping center, building, etc.

Annual Percentage Rate (APR) - The actual cost of borrowing money, expressed in the form of an annual interest rate.

Appraisal - A determination of the value of something by a qualified, disinterested expert.

Appreciation - An increase in value or worth of property.

Asking (list) price - The price placed on a property for sale.

Assignee - A person to whom a property right is transferred.

Assumable Mortgage - An existing mortgage that can be taken over by the buyer on the same terms given to the original borrower.

Balloon Mortgage A mortgage where the final payment is considerably larger than the preceding payments.

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.

Base Year The year of a lease term which is used to compare subsequent years; usually when calculating operating expense pass throughs.

Brokerage For a commission or fee, bringing together parties interested in buying, selling, exchanging or leasing real property.

Building Classifications Building classifications in most markets refer to Class "A", "B", "C" and sometimes "D" properties. While the rating assigned to a particular building is very subjective, Class "A" properties are typically newer buildings with superior construction and finish in excellent locations with easy access, attractive credit to tenants and which offer multitude of amenities to tenants. The class of a building may vary depending on the location of the property. What is a class B in one market might be a class C in a different market. Also, as the class of the building decreases (moves from A to B etc) the rents tend to decrease.

Build-out The space improvements put in place per the tenant's specifications.

Build-to-suit An approach taken to lease space by a property owner where a new building is designed and constructed to the tenant's specifications.

Buyer's broker A licensee who has declared to represent only the buyer in a transaction, regardless of whether compensation is paid by the buyer or the listing broker through a commission split.

Calendar Year A year using the actual number of days in each month for a total of 365 days in a year (366 days in a leap year).

Cap The maximum allowable increase, for either payment or interest rate, for a specified amount of time on an adjustable rate mortgage.

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.

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

Ceiling The maximum allowable interest rate over the life of the loan of an adjustable rate mortgage.

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.

Clear Title A title that doesn't have any liens (including a mortgage) against it.

Closing The conclusion of a sales transaction when the seller transfers title to the buyer in exchange for consideration.

Closing Costs Costs the buyer must pay at the time of closing, in addition to the down payment which may include points, title charges, credit report fee, document preparation fee, mortgage insurance premium, inspections, appraisals, prepayments for property taxes, deed recording fee and property insurance. Closing costs can vary considerably from one financial institution to another.

Closing Statement A detailed written summary of the financial settlement of a real estate transaction showing all charges and credits made, and all cash received and paid out.

Commission The compensation paid to a licensed real estate broker or by the broker to the salesperson for services rendered. Usually a percentage of the selling price of the property or the total value of the lease.

Common Area Maintenance (CAM) This is the amount of additional rent charged to the tenant in addition to the base rent to maintain the common areas of the property shared by the tenants and from which all tenants derive some benefit. Most often, this does not include capital improvements (see capital expenses) that are made to the property.

Comparables Properties which are similar to a particular property and are used to compare and establish a value for that property.

Concessions Cash or cash equivalents expended by the landlord in the form of rental abatement, additional tenant finish allowance, moving expenses, cabling expenses or other monies expended to influence or persuade the tenant to sign a lease.

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 A form of real estate, usually a dwelling with individual ownership of separate portions of the building plus shared ownership of the common areas. Also found in industrial parks, where individual units are separately owned, but the common areas (such as guard gates, common landscaping, etc) are shared.

Contiguous space 1) Multiple suites/spaces within the same building and on the same floor which can be combined and rented as a single unit.
2) A block of space located on multiple adjoining floors in a building.

Contingency A provision in a contract stating that some or all of the terms of the contract will be altered or voided by the occurrence of a specific event.

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.

Counter offer The rejection of an offer to buy or sell that simultaneously makes a different offer, changing the terms in some way.

CPM Certified Property Manager. Professional designation conferred by Institute of Real Estate Management; requires extensive specialized education and experience.

DBA Doing Business As. Business names or aliases filed with the county.

Deed A written instrument by which title to land is conveyed.

Default The failure to meet an obligation, including lease clauses (i.e. timely rent payment, tenant use of premises, etc) and mortgages (i.e. timely mortgage payments, timely payoff upon due date).

Depreciation A loss in value.

Disclosure The making known of a fact that had previously been hidden.

Down payment An amount of money the buyer pays which is the difference between the purchase price and the mortgage amount.

Earnest money A deposit made by the buyer as evidence of good faith in offering to purchase real estate and to secure performance of the contract. Earnest money is typically held by a title company, in an escrow account during the period between acceptance of the contract and the closing.

Easement A right to use another person's real estate for a specific purpose. The most common type of easement is the right to travel over another person's land, known as a right of way. In addition, property owners commonly grant easements for the placement of utility poles, utility trenches, water lines or sewer lines. The owner of property that is subject to easement is said to be "burdened" with the easement because he or she is not allowed to interfere with its use.

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 the tenant, usually expressed as an average rate over the term of the lease.

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

Encumbrance A cloud against clear free title to the property which does not prevent conveyance such as unpaid taxes, easements, deed restrictions, mortgage loans etc.

Escrow A trust arrangement by which one or more parties deposit things of value with an authorized escrow agent in accordance with the terms of a real estate agreement.

Escrow Account 1) A third party account which holds money safely while a sale is in progress. 2) An account used to save monies required for the payment of an eventual debt.

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.

Fair Market Value The price a willing buyer will pay a willing seller for a leased property on an "as is, where is" basis with both under no compulsion to either buy or sell.

Financial Statements Accounting statements that provide specific information about a company's financial position. They include the Profit and Loss Statement, also known as the Income Statement, the Balance Sheet, and the Statement of Cash Flows. Financial statements can generally be audited by an outside CPA firm or unedited and, thus, prepared by the company.

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

Fixture Personal property which has been attached to real estate so as to become a part of the real property. The article must meet one of three conditions: 1) attached in a permanent manner 2) specially adapted to the property or 3) intentionally made part of the real property.

Flex space A building providing its occupants the flexibility of utilizing the space. Usually provides a configuration allowing a flexible amount of office or showroom space in combination with manufacturing, laboratory, warehouse etc.

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 a debt.

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.

Gross Square Foot Usually the total building square footage, including elevator shafts, vertical penetrations, equipment areas, ductwork shafts and stairwells.

Ground rent Rent paid to the owner for use of land, normally on which to build a building.

Hold harmless In a contract, a promise by one party not to hold the other party responsible if the other party carries out the contract in a way that causes damage to the first party.

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

HVAC Heating Ventilation and Air Conditioning

Lease A contract giving the lessee the right to use the leased property for a period of time.

Lease Term The fixed term of the lease.

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 improvement to be made in the leased premises by the landlord.

Legal description A description of a specific parcel of real estate which is acceptable to the courts in that state, and which allows an independent surveyor to locate and identify it.

Lessee The user of the leased property under the lease.

Lessor Depending on the type of the lease, either the owner of the leased property or the owner of the security interest in the leased property.

Letter of intent A preliminary agreement stating the proposed terms for a final contract. They can be binding or non-binding.

Lien A monetary claim against a property. These should be settled before the sale is finalized.

Listing agreement The legal agreement between the listing agent/broker and the vendor, setting out the services to be rendered, describing the property for sale, and stating the terms of payment.

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 are willing to accept and tenants are willing to pay in recent lease transactions for comparable space.

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).

Month-to-month tenancy A rental agreement that provides for a one month tenancy that is automatically renewed each month unless either tenant or landlord gives the other the proper amount of notice (usually 30 days) to terminate the agreement.

Mortgage A contract providing security for repayment of a loan, registered against property with stated rights and remedies in the event of default.

Net Lease Type of lease whereby the Tenant pays for part or all of the operating expenses which may include utilities, janitorial, property insurance, property management, sewer, water & garbage.

Net Net Net (NNN) Lease Type of lease where Tenant generally pays for all operating expenses. May even include responsibility for roof and structural repair or replacement.

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.

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

Parking ratio or index The number of parking spaces available expressed in relationship to the rentable square footage. Expressed as X spaces per 1000 square feet, a building that offered 2 spaces for every 1000 square feet would show a parking ration of 2:1000.

Percentage Lease Lease in which all or part of the rental is a specified percentage of gross income from total sales made upon the premises.

Personal Guaranty The guarantee of someone to be individually responsible for the obligations of the lease. Generally for Subchapter S closely held companies and small businesses, a lessor may ask for a personal guaranty as a way to insure that the lease payments will be made.

Prime rate The interest or discount rate charged by a commercial bank to its largest and strongest customers.

Property taxes Taxes that are paid yearly on real property. Property taxes are ad valorem, based on the assessed value of the real property.

Purchase Option Option to purchase leased property either at the end of the lease term or if some other specific criteria are met by the lessee.

Raw space Unimproved shell space in a building.

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.

REALTOR® A real estate broker or associate who holds active membership in a local real estate board that is affiliated with the National Association of Realtors®.

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 provided for in the option language.

Rentable Square Feet Usually the space measurement which incorporates both the "usable square foot" measurement as well as the common area. The difference between usable and rentable is generally between 10% - 15%.

Right of first refusal 1) 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.

2) A lease clause giving a tenant the first opportunity to lease additional space that may become available in a property at the same price and under the same terms and conditions as those contained in a third party offer that the owner has expressed willingness to accept.

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.

Second generation space Refers to previously occupied space that becomes available for lease, either directly from the landlord or as sublease space.

Security deposit A payment required by a landlord to ensure that a tenant pays rent on time and keeps the rental unit in good condition. If the tenant damages the property or leaves owing rent, the landlord can use the security deposit to cover what the tenant owes.

Setback The distance a building must be set back from the property lines in accordance with local zoning ordinances or deed restrictions.

Site development The installation of all necessary improvements (installment of utilities, grading etc) made to a site before a building or project can be constructed on such a site.

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

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

Special assessment Any special charge levied against real property for public improvements that benefit the assessed property.

Sublease A rental agreement or lease between a tenant and a new tenant (called a sublessee) who will either share the rental or take over from the first tenant. The sublessee pays rent directly to the tenant. The tenant is still completely responsible to the landlord for the rent and for any damages, including those caused by the sublessee. Most landlords prohibit subleases unless they have given prior written consent.

Subordination agreement As used in a lease, the tenant generally accepts the leased premises subject to any recorded mortgage or deed of trust lien and all existing recorded restrictions and the landlord is often given the power to subordinate the tenant's interest to any first mortgage or deed of trust lien subsequently placed on the leased premises.

Survey The process by which a parcel of land is measured and its boundaries and contents are ascertained.

Tax roll A list or record containing the descriptions of all land parcels located within the county, the names of the owners, the assessed values and the tax amounts.

Tenant improvement (TI) allowance or work letter Defines the fixed amount of money contributed by the landlord towards tenant improvements.

Time is of the essence A clause, which if included in a contract, makes failure to perform by a specific date a material breach or violation of the contract.

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 policy is issued.

Trustee One who as agent for others handles money or holds title to their land.

Turn Key Landlord-provided tenant improvements, usually including everything (walls, doors, floor and window coverings, electrical) except telecommunications wiring and tenant furniture.

Under contract A property for which the seller has accepted a buyer's offer to purchase is said to be under contract. During the period of time the property is under contract, the seller is precluded from entertaining offers from other buyers.

Unimproved land Most commonly refers to land without improvements or buildings but can also mean land in its natural state.

Usable Square Feet That space measurement actually contained within the demised premises. If the entire building is occupied by a single user, the rentable and usable square foot calculations may be the same.

Variance An exception to a zoning ordinance, usually granted by a local government.

Virtual tour Any method used to provide internet users with a graphical presentation of a property or properties.

Void Having no legal force or effect.

Waiver The intentional or voluntary relinquishment of a known claim or right.

Walk through 1) Buyer's on-site inspection of the property being purchased just prior to closing

2) A detailed inspection of a new construction, in which a punch list and cosmetic items are addressed prior to final acceptance.

Work letter A list of the building standard items that the landlord will contribute as a part of the tenant improvements.

Zoning Exercise of police powers of city in regulating and controlling the character or use of property. Zoning laws divide cities into different areas according to use, from single-family residences to industrial plants.

Zoning ordinances A set of laws which control the size, location and use of buildings within these different areas.