Office Relocation Checklist

Your step-by-step guide to managing the complexities of business relocation

MANAGING AN OFFICE RELOCATION
The key to keeping it simple is to break it down into easy steps. We’ve listed everything you need to think about – from the beginning stages of the project to move-in day.
CHOOSING A ‘MOVE’ CHAMPION

About 12 months before you’re planning to move, you should decide who’s going to be involved, and start to outline your key requirements. Select a team and assign clear roles and responsibilities.

Who has what it takes to manage the move?

- Senior enough to make decisions
- Experienced at multi-tasking
- Good motivator
- Knows your business inside-out
- Great communicator
- Highly organized
- Good at sticking to a budget

DEFINING ROLES AND RESPONSIBILITIES

Involving others and keeping people in the loop will prevent surprises and delays further down the line. For example, there’s no reason to approve a design unless the ES has seen it – he or she is bound to change it.

- Executive Sponsor (can be any number of roles in an organization)
- Finance Director
- Facilities Director
- Office Manager
- IT Director
- Operations Director
- Marketing
- Human Resources

RELOCATION TIP

Don’t forget the administration staff. They probably know more about what’s going on in your organization than anyone else.
ENGAGING YOUR STAKEHOLDERS

Getting the message out to partners both internal and external will provide additional connectivity and leveraging resources.

Have you consulted with...

• Municipalities?
• Partner Organizations?
• Board members?
• Department heads?
• Staff?

DEFINING LOCATION PRIORITIES

You could find what you consider to be the perfect office, but if the location isn’t right, then it just won’t work for your company. Consider the following criteria when selecting locations for your new base:

• Current and future public transportation access
• Easy for partners and clients to visit
• Easy for you to visit clients
• Commute considerations for existing employees
• Local amenities (shops, restaurants, pharmacies, etc.)
• Good access to major roadways
• Excellent access to major airports
• Access to a ‘talent pool’ of potential employees
• Parking

THE PROJECT BUDGET

A relocation project can be one of the most expensive events in the life of a business. Moving forward without a clear idea of budgets is like sailing without a compass. All reputable suppliers will provide full cost estimates, free of charge. This will enable you to communicate with the rest of your business the real financial impact of your move.

Get quotes for everything, and draw up a full budget for the whole project, including:

• Occupancy costs (such as rent, service charges, taxes, energy, maintenance, etc.)
• Transaction fees (for property agents, lawyers)
• Insurance costs
• Fire plan assessment
• Design and construction costs
• Environmental assessments
• IT – cabling, and IT equipment relocation fees
• Furniture – the cost of new furniture, delivery and installation
• Disposal costs (of old furniture, computers, rubbish)
• Extra security (during the move)
• Printing costs
• Telecommunications – equipment and installation- Is this the time for an upgrade?
• Marketing costs – new stationery, announcements, invitations, website update of new address, plus mail redirection
• Contingency (it is not uncommon to budget an extra 20% for contingencies and changes)
• Restoration obligations for your old space (many leases require you to put your old space back to its original condition)
• Air conditioning, heating and ventilation (check the condition of the HVAC plant in your new building)
• Energy performance. Can you make improvements in energy consumption to reduce cost?
• Temporary storage during the move

COMMERCIAL PROPERTY AGENTS

Make sure you’re talking to the best people in the business.

• Quality reputation and references
• A firm grasp of the technical side on of lease negotiations
• Enough time to devote to your project
• Strong knowledge of the area you’re searching in
• Transparent fees and charges

OFFICE DESIGN AND FIT OUT COMPANIES

The bulk of your costs will fall into the design and construction category of your relocation. It makes sense to engage with a good office design / construction consultancy at the early stages, so you can plan.

If you haven’t selected your space, your office design consultancy can help you by calculating the amount of space you need – including all services and storage. Make sure you don’t leave anything out, because if you end up with too little space, you’ll have more problems in the future. Too much space and you’re throwing money away.

If you’ve found your space, your office design / construction partner can really help by surveying your new building, coming up with cost estimates and helping you visualize your new space. That way, you’ll avoid any surprises later.

Make sure you hire a design / construction company that offers a complete ‘turnkey’ solution. It will save you time, money, and the hassle of having to manage multiple parties.

Check if they offer the following as part of their service:

Project management of your whole project, via one point of contact

• Calculation of your space needs
• Surveying of your new building
• Full cost estimates
• Space planning
• Interior design
• Fit out and construction
• Furniture selection and procurement
• Mechanical & electrical design and installation
• Air conditioning, heating and ventilation
• Plumbing
• Planning permission (will they arrange it for you?)
• Americans with Disabilities Act/ADA (do they have enough knowledge so your new office will comply?)
• Health and safety
• IT cabling, moving and installation
• Telephone systems (do they have experience in putting in phone systems? Will they arrange and guarantee a connection in time with the phone company?)
• Move management (crates, packing and moving, plus furniture assembly)
• Will they guarantee on-time completion?
• Are they financially stable? (Could they absorb the cost of your build?)
• Do they have the backing of a parent company?
• Do they have the purchasing power or partnerships to negotiate special deals?
• Have they managed relocations before (and for whom)?
• Do they have their own health and safety experts?
• Are they environmentally conscious?
• Can they design and build a sustainable office for you?
• Do they have proper insurance in place?
• Are they willing to provide quality references?
• Will they arrange for you to visit other offices they’ve done?
• Does their team inspire your confidence and trust?

FEASIBILITY STUDIES

A well-done feasibility study will save you thousands. Not only will it help you to determine how much space you need and how to accommodate your people, it will also help you plan for future growth (avoiding the need for an unplanned costly expansion or move).

A good office design consultancy should do this for you.

Take a new look at how your teams work together (you might need to rearrange which department goes next to which)

• Work out growth rates for each department and plan for changes in your space plan
• How many people / workstations will you need to accommodate?
• What sorts of spaces (kitchen, executive offices, server room, etc.) would you like?
• How much space do you think you’ll need (in square feet)?
• What’s your timeline?
• Calculate current size, capacity and usage needs for:

1. Reception areas
2. Meeting rooms
3. Executive offices
4. Presentation suites
5. Kitchen / tea points
6. Server room
7. Break out spaces
8. Toilets
9. Showers
10. Copy areas
11. Mail room
12. Recycling points
13. Other (i.e. trading floor, library)

**STORAGE CONSIDERATIONS**

Often overlooked, storage can make the difference between happy staff and grumbling workers. Office relocation is an opportune time to reassess and calculate your storage needs.

- What’s your storage situation like now? How much and what do you need for the new office?
- Storage for individuals – at desks or lockers
- Document storage
- Storerooms (for office supplies and equipment)
- Secure storage and safes
- Off-site storage
- Can you reduce the amount of space you need by moving long-term storage off-site?
- Calculate future needs for all areas above
- Don’t forget the basics – coat racks or closets

**ENVIRONMENTALLY FRIENDLY AND SUSTAINABLE OFFICES**

- Consider a LEED certification or some other environmental rating system
- Put energy efficiency at the forefront of the design
- Design in recycling points
- Maximize use of natural light
- Specify furniture with a high proportion of recycled content
- Choose fixtures, fittings and carpet with a high content of recycled materials, which can be recycled at their end of life
- Use paints with low amounts of toxins
- Only use wood products that have been FSC-certified

**COMMUNICATING WITH YOUR STAKEHOLDERS**

Confusion at the time of relocation can cause anxiety amongst staff. It will pay dividends to keep everyone involved and create buy-in for the move.

- Give people a way to voice their honest opinions and objections (such as an online forum)
- Provide access to an Intranet to share files and plans (for the project team)
- Hold formal presentations of design ideas for staff
- Go on site visits with key stakeholders
- Give staff tours of the office before it’s finished
- Create a ‘move’ newsletter for staff
- Give staff an info pack on the new local area

**BUILDING SURVEYS**

A close look at your building can save you thousands down the road. For example, the heating and ventilation system may look good, but it may need a major upgrade. A good design and construction company could survey your new space and at the same time estimate costs and timescales.
It is also critical to get some indicative designs drawn up at this point. It’s the only way you can accurately estimate fit out costs.

Things to check:

- Condition (if it’s an old building, is it possible to bring it up-to-date?)
- Flexibility (will it adapt easily, as your business evolves?)
- Disabled facilities (do you know what your responsibilities are?)
- Air conditioning (you may want to commission a special survey – if you share services with other companies, you should make sure you’re getting your fair share of cool air)
- Lifts (can the lifts take goods and equipment? If not, you’ll need to put extra money in your budget for the movers to carry things upstairs)
- What’s new, second-hand, serviced or missing?
- Has the building been rated as energy efficient?
- Security (is the space secure? Check all windows, doors and hatches, and get the landlord to fix any problems)
- Fire plan

It’s your responsibility to have an escape plan in place. At this point, you may want to check that you don’t have to alter your new space to comply with fire regulations.

IT and electrical

- Looking at the space, now is a good time to get an idea of the work that will be needed to install floor boxes and data points, and to run cabling.
- Who are the internet providers bringing data to the building?
- What are the lead times to bring your data connection live? Failure to appropriately plan for the lead time to connect the internet has gotten many other companies into hot water. It is not like scheduling a cable installation.

THE NEIGHBORHOOD

- Is it a comfortable place to conduct business?
- Are any potential partners based nearby?
- Are the other tenants good quality companies?
- Are there any off-putting noises, smells or other issues?
- Are there any major prohibitive traffic concerns?
- Where are future amenities and public transportation going to be?
- Are there issues with the local area?
- Is there somewhere to buy a sandwich?

RELOCATION TIP

Ask your future landlord if there are any major upgrades planned to the building. Because you may have to pay for them in your future service charges!
LEGAL AND FINANCIAL

- You should ALWAYS have an attorney review and provide commentary and advice on a lease. Preferably a RE Attorney and someone qualified to recommend language changes to the lease while staying within reason. Aim to be properly informed and not over represented.

INSURANCE

Make sure you have all the appropriate insurance coverage and documentation prepared in advance of signing a lease or conducting any work to the physical space.

DRAWING UP THE DESIGNS

- Designing your space should be a methodical and inclusive process and produce a full layout (desks, meeting rooms, kitchens, server room, IT, HVAC)
- Design and finish boards are a great way to visualize what look and feel are you going for? Most furniture companies are happy to assist with this extra touch.
- Include color schemes that reflects your brand and identity.
- Aim to make your environment as inviting and human centered as you can. The returns will be well worth the time and money.
- Make sure your designs are compliant with all regulations (particularly ADA and OSHA (Occupational Safety and Health Administration))
- Maybe a landlord or architect can arrange for 3D walkthroughs, (it can be difficult to visualize the result from a plan). This is more difficult with requirements below 25-30K SF space.
- Is it possible to build sustainability into the designs? Will the office be energy efficient?
- Make sure your work letter is tight and clearly outlines the project delivery and responsibility. This will be in the lease.

When you are complete. SIGN THE LEASE.

You will probably know when it’s time to sign the lease. At this point a lot of work and planning has happened and it’s time to start building this space.

- Once all the terms are agreed to your satisfaction, sign on the dotted line

FINDING THE RIGHT FURNITURE

It’s not just about cost. There are things like health & safety and ergonomics to think about.
- Is your furniture practical, for everyday work?
- Are your chairs ergonomic?
- Is everything covered by warranty?
- Is it made from sustainable materials?
- What will it cost to deliver or assemble?
- Do you have enough storage?
- Are you getting good quality for your money? The cheapest option isn’t always the best, in the long run
- Would you be better off renting, rather than buying?
- Will your furniture work well with all your computers and other kinds of equipment?
- Does the style suit your identity?
**IT, DATA, AND COMPUTERS**

What sort of systems are already in place? Will all your equipment work properly?

What else will you need?

- Power points – how many and where?
- Floor boxes / data points – how many and where?
- Printers and faxes
- Server room/racking
- Cabling
- Backup generator
- Servers
- Service and support
- IT management and coordination – who’ll make sure it all works?

**TELEPHONES AND INTERNET**

- Order your telephone connections from your telephony supplier as soon as possible
- Assess your current set-up (the pros and cons)
- Shop around for telephone providers and packages
- How many lines do you need?
- Could an internet-based system (VOIP) be better?
- Can you keep your current phone numbers?
- Do you need voicemail, or a call answering service?
- How will you let people know about your new numbers (mail-out, call forwarding)?
- Don’t forget the basics – do you have enough handsets?

**HEALTH & SAFETY**

Health and safety are of paramount importance because you are responsible, even if you hire contractors. Make sure you work with companies with excellent health and safety credentials and processes.

Ask your appointed construction contractor to provide you with health and safety assistance

- Get someone to check out any health and safety file that may exist for your chosen building, and make sure it’s up to date
- Consider what arrangements you’d like contractors coming into your new premises to comply with:
  - Parking
  - Access
  - Use of welfare

**RELOCATION TIP**

Try to hire a contractor with an in-house health and safety team. Some sub-contract, putting health and safety ‘on the clock’ and do as little as possible.

- Appoint a CDM Coordinator and a Principal Contractor if the project is notifiable
- Communicate with the appointed safety representative and any staff affected by the office move
 CLIENT COMMUNICATION

Make sure all your clients and suppliers know where you’re moving, and when.
- Send out a letter
- Send out an email
- Schedule an update to your company website
- Schedule reprints of company stationery and forms

RELOCATION TIP
By law, you are required to keep a record of any waste that leaves the site. You are also responsible if one of your contractors doesn’t dispose of waste properly (like dumping paint down the sewer drain). So, make sure your contractor has excellent environmental credentials.

WORK ON SITE

- Ensure environmental compliance
- Recycle any plasterboard, carpet and other materials being stripped out
- Separate waste (so as little waste as possible goes to landfill)
- Follow the proper procedures to dispose of hazardous materials
- Look into making your fit-out carbon neutral
  - You can now offset any carbon emissions from the work on your site. Talk to your design and construction contractor about the options
- Run weekly meetings, on site
- Keep track of progress, with your project manager
- Make sure there is a sign-off
- procedure for any changes
- Take photos of the work at every stage, and make notes of any defects

PLANNING THE MOVE

- Talk to your IT specialists about the transition (they may need time for testing)
- Put someone in charge of managing the packing and de-clutter process
- Make arrangements with your removals company
- Check your new office is fully secure, for when things start arriving
- Arrange all the crates and labels for packing up
- Coordinate any holidays, making sure all the key people are available
- Make sure all your staff know what’s happening (when to clear their desks, what to tell clients, when to move, etc.) – they may need reminding!
- Send out an internal newsletter with key dates for the staff
- Arrange to have someone on-hand on the day, to help deal with snags or last-minute problems
- Put proper security in place – at the old site, and at the new site (things could go missing amongst all the confusion)

DE-CLUTTER AND GETTING RID OF OLD EQUIPMENT

There’s no point paying to move anything you’re not going to need.
- Get rid of any unnecessary clutter
- Clear out old files
- Scan documents you don’t need in hard copy
- Dispose of any information securely (shredding, etc.)
- Donate any unwanted furniture, computers, appliances, etc., to charity
- Have plenty of extra bins and recycling points set up (it makes it easier for staff to clear out as well as encouraging recycling)
- Arrange for the removal of all rubbish

DE-SNAGGING AND NEW OFFICE PREPARATION

- Look for snags (schedule a thorough walkthrough with your contractor)
- Clean-up on site
- Thoroughly test everything – phones, computers, lights – one non-working handset can ruin your day
- Final handover
- Arrange supermarket delivery to the new office – tea, coffee, champagne?

CELEBRATING SUCCESS

- Arrange a move-in party for staff and/or clients
- Take that long deserved holiday!!
Abatement: A reduction or decrease; usually applies to the forgiveness of rent or a decrease of assessed valuation of ad valorem taxes after the assessment and levy.

Above Building Standard: Specialized design and engineering services and all construction necessary to personalize tenant space.

Absorbed Space: Net change in leased space between two dates.

Absorption: The rate at which land or buildings will be sold or leased in the marketplace during a predetermined period, usually a month or a year. Also called “Market Absorption.”

Absorption Period: The number of months required to convert vacant space into leased space assuming no new delivered space. Computed by dividing the average monthly absorbed space during a recent period into the current vacant space.

Acceleration Clause: When used in a mortgage or deed of trust, a clause that contains provisions and conditions that, often at the lender’s option, permit the time when the entire debt becomes due to be shortened. See also “Alienation Clause.”

Ad Valorem: (According to value.) Used about general property tax, which is usually based on the official valuation of property.

Adequate Rate Covenant: An agreement often required in revenue bond-financed projects; guarantees the operator will charge adequate rates to produce revenue necessary to cover principal and interest payments.

Adjustable Rate Mortgage: A mortgage in which the interest rate is adjusted periodically to reflect changes in a specified index.

Alienation Clause: A type of acceleration clause where a debt becomes due in its entirety upon the transfer of ownership of a secured property. See also “Due on Sales Clause” and “Acceleration Clause.”

All Space Available: All existing space in a market available for lease by tenants, including re-let, sublet and prime space.

Amount Financed: The loan amount after the subtraction of prepaid finance charges, such as discount points, origination fee and prepaid interest.

Annual Percentage Rate (APR): APR reflects the cost of a loan on a yearly basis. It may be higher than the note rate because it includes interest, loan origination fees, loan discount points, and other credit costs paid to the lender.

Anticipatory Breach: Occurs when one party to a contract, prior to time of performance, informs the other of his or her intent not to perform. Example: The buyer informs the seller before the closing date of his or her intent not to buy.

Appraisal: The estimation and opinion of value placed upon a piece of land based upon a factual analysis by a qualified professional; the process of estimation and the report itself.

Appreciation: An increase in the value of property caused by an improvement or the elimination of negative factors.

ARM: See “Adjustable Rate Mortgage”

“As Is” Condition: Premises accepted by a buyer or tenant in the condition existing at the time of the sale or lease, including all physical defects.
**Assessment:** (1) An estimate of property value for imposing taxes. (2) A fee imposed on property, usually to pay for public improvements such as streets and sewers.

**Asset-Based Lender:** A lender who loans money based primarily on the values of an asset—accounts receivable, inventory, a place of equipment, real estate—rather than on the financial strength of the business, which is the primary criterion for banks.

**Assignment:** A transfer between parties of title to any property, real or personal, or of any rights or estates in the property. Common assignments include leases, mortgages and deeds of trust.

**Attachment:** Legal procedure to aid in the collection of a debt. Usually the court issues a writ to seize the property of a debtor and holds it pending the outcome of a lawsuit, keeping the property available for sale to pay any money judgment entered in such lawsuit.

**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 rent. See also “Letter of Attornment”

**Available Space:** Vacant space, including prime and re-let space, plus space available for sub-lease.

**Balloon Payment:** A large payment due on a loan. Generally, a balloon payment is required when regular monthly or quarterly payments have not covered both the increase due and the principal of the loan.

**Bankrupt:** The condition when one is found to be unable to repay one’s debts by a court having proper jurisdiction. The bankruptcy may be one of two types: one that is petitioned by the debtor (voluntary) or petitioned by creditors (involuntary).

**Bankruptcy:** Proceedings under federal statutes to relieve a debtor who has been declared bankrupt from insurmountable debt. After addressing certain priorities and exemptions, the bankrupt’s property and other assets are distributed by the court to creditors as full satisfaction for the debt. See also: “Chapter 11.”

**Base Rent:** A set amount used as a minimum rent in a lease which also employs a percentage or other allocation for additional rent.

**Base Year:** The year upon which a direct expense escalation of rent is based. See also “Escalation Clause.”

**Bellwether Security:** A security seen as an indicator of a market’s direction. In bonds, the 20-year Treasury bond is considered the bellwether, denoting the direction in which all other bonds are likely to move.

**Below-grade Facility:** A parking facility constructed underground or below the surface grade.

**Bill of Sale:** A legal document that transfers or conveys the title to personal property.

**BOMA Method of Measurement:** A standard adopted by the Building Owners and Managers Association for the measurement of usable and rentable office space.

**Breach of Warranty:** The failure of the seller of real property to pass title as either expressed or implied by law in the conveyancing document.

**Broom Clean:** A term used to describe the condition of the premises as delivered to a buyer or tenant; i.e., the floors are to be swept and free and clear of debris.

**Buffer:** A strip of land established as a transition between distinct land uses. May contain natural or planted shrubs, walls or fencing, singly or in combination.

**Building Classifications:** Class “A” Building has excellent location and access to attract the highest quality tenants. Building is well managed, structure is of high-quality finish, usually new or competitive with new buildings. Class “B”-Building with good location, management, construction land tenancy. Can compete at low end of Class A. Class “C’-Generally an older building with growing functional land/or economic obsolescence.
Building Code: A set of laws, usually enacted by city ordinance or other local jurisdiction, regulating the design, materials and construction of buildings.

Building Standard: See “Work letter.”

Build to Suit: A method of leasing property whereby the landlord builds a new building in accordance with a tenant’s specifications.

Bullet Loan: Also known as a Construction Loan, any of a variety of short-term (generally five to seven years) financings provided by a lender to a developer to cover the costs of construction and lease up of a new building with the expectation that it would be replaced by long-term (or “permanent”) financing provided by an institutional investor once most of risk involved in construction and lease-up had been overcome resulting in an income-producing property.

Cap: The amount an interest rate on a mortgage may fluctuate. The first figure indicates the percentage points the rate may change in a given year. The second figure indicates the points the loan may change during the life of the loan.

Capitalization: A process of determining the value of real property in which project income is divided by a predetermined annual rate (capitalization rate). For example, a building with annual project income of $100,000 is worth $1,000,000 at a 10 percent capitalization rate ($100,000/10% = $1,000,000). See “Capitalization Rate.”

Capitalization Rate: The rate that is considered a reasonable return on and of investment (based on both the investor’s alternative investment possibilities and the risk of the investment). Used to determine and value real property through the capitalization process. Also called “free and clear return.” See “Capitalization.”

Carrying Charges: Various costs that are incidental to property ownership (e.g., taxes, insurance costs and maintenance expenses).

Certificate of Deposit: A short-term debt obligation issued by a bank or thrift. CDs in amounts of $100,000 or less are covered by FDIC insurance.

Certificate of Occupancy: A certificate issued by a local government building department or agency stating that a building is in a condition suitable for occupancy. Sometimes also called a “C of O” or a Non-Residential Use and Occupancy Permit (NON RUP).

Channelization: Construction of islands or barriers, usually on roadways, to assist in control of traffic flow patterns.

Chapter 11: A section of the Federal Bankruptcy Code dealing with business reorganizations. A separate section, referred to as Chapter 7, deals with business liquidations.

Circulation: Traffic flow pattern, such as two-way or one-way, for an on-street system or off-street parking facility.

Clear-span Facility: A parking structure with vertical columns on the outside edges of the structure and a clear span between columns, making it unnecessary for vehicles to maneuver between columns.

Collateral: Property (real or personal) that a borrower pledges as security for a loan.

Common Area: The total area within the shopping center that is not designed for rental to tenants but that is available for common use by all tenants or groups of tenants, their invitees, and adjacent stores. Parking and its appurtenances, malls, sidewalks, landscaped areas, public toilets, truck and service facilities, and the like are included in the common area.

Common Area Charges: Include income collected from tenants for operating and maintaining items pertaining to common areas. Shopping center leases usually contain a clause requiring the tenant to pay its share of operation and maintenance on common areas and defining the basis on which charges are made and the type of cost items allocable to maintenance of the common area. Of the ways to prorate the charges among tenants, the most common are (1) a prorated charge based on a tenant’s leased area as a portion of the total leasable area of the center or the linear exposure in store frontage, (2) a fixed charge for a stated period,
and (3) a variable charge based on a percentage of sales. Some centers include a cost-of-living increase in the common area charges.

**Comparable**: Properties like an appraised property and used as comparisons to determine the fair market value of the property.

**Concessions**: Cash expended by the landlord in the form of rent abatement, build-out allowance, or other payments to induce the tenant to sign a lease.

**Condemnation**: The process by which private property is taken by a governmental agency for public use without the consent of the owner, but only upon payment of just compensation. See also “Eminent Domain.”

**Constructive Eviction**: (1) With respect to a landlord-tenant relationship, constructive eviction is any landlord act short of actual eviction that substantially interferes with the tenant’s use and enjoyment of the leased property. (2) The inability of a buyer to obtain possession because of a third party’s superior title.

**Construction Management**: Construction supervision by a qualified manager.

**Consumer Price Index (CPI)**: A federal government index that measures the change in the cost of a variety of goods and services. Used in loans, purchase agreements and leases as a measure by which to adjust future payments to reflect inflation. Also called “Cost-of-Living Index.”

**Contiguous Space**: A block or blocks of adjoining office space.

**Contract Documents**: The design plans and specifications for construction of a facility. Working drawings that detail for the contractor the exact way a project should be built. See also “Specifications;” Working Drawings.

**Contract Rent**: Rent paid under a lease. The actual rent as opposed to the market rental value of the property.

**Conveyance**: Most commonly refers to the transfer of title to land between parties. The term may also include most of the instruments by which an interest in real estate is created, mortgaged or assigned.

**Core Factor**: See “Design Efficiency.”

**Cost Approach**: A method of appraising real property whereby the replacement cost of a structure is calculated using current costs of construction.

**Cost-Of-Living Index**: See “Consumer Price Index.”

**Covenant**: A private, legal restriction on the use of land, recorded in the land records.

**Covenant of Quiet Enjoyment**: Usually inserted in leases or conveyances whereby landlord or grantor promises that the tenant or grantee shall enjoy possession of the premises in peace and quiet without disturbance.

**Dedicate**: Transfer of property from private to public ownership.

**Deed**: Generally, a conveyancing instrument given by the seller to pass fee title to property upon sale.

**Deed In Lieu Of Foreclosure**: A deed given by an owner/borrower to a lender to prevent the lender from bringing foreclosure proceedings.

**Deed of Trust**: An instrument securing a loan that is used in many states in place of a mortgage. Property is transferred to a trustee by the borrower (trustor), in favor of the lender (beneficiary), and reconveyed to the borrower upon payment in full.

**Default**: The general failure to perform a promised task or to pay an obligation when due. Some specific examples are: (1) Failure to make a payment of principal or interest or other type of financial obligation when due. (2) The breach or failure to perform any of the terms of a note or the covenants of a mortgage or deed of trust.

**Deficiency Judgment**: Commonly, the amount for which the borrower is personally liable on a note and mortgage if the foreclosure sale does not bring enough to cover the amount owed. The judgment is for the total amount of the obligation.
and not for the deficiency. Any recoveries from a foreclosure sale are deducted from the judgment.

**Delivered Buildings:** Buildings that have completed construction and are ready for tenant build-out, may or may not yet have a Certificate of Occupancy.

**Delivered Space:** Total increase in existing space between two dates.

**Demising Walls:** The boundaries that separate a tenant’s space from another tenant’s space and from a public corridor.

**Density:** Number of dwelling units divided by the gross acreage being developed.

**Density Bonus:** An increase in density otherwise not allowed, but granted under specific provisions of the law when a developer provides excess open space, recreation facilities, moderately priced housing, etc.

**Design/Build System:** A system in which a single entity is responsible for both the design and construction of a facility, often involving the fast-track method of construction; also referred to as “design/construct.”

**Design Efficiency:** The trade-off between a more merchandisable product and higher costs of structural construction; the analysis needed to achieve the highest ratio of net rentable area to gross building area. See also Core Factor.

**Deposit:** See “Earnest Money.”

**Depreciation:** (1) Decrease in the usefulness, and therefore value, of real property improvements or other assets caused by deterioration or obsolescence. (2) A loss in value as an accounting procedure to use as a deduction for income tax purposes.

**Distraint:** The act of taking (legally or illegally) personal property and retaining control until the property owner performs an obligation. Commonly, a landlord takes possession of personal property of a tenant in default until the default is satisfied.

**Distress Sale:** The sale of property under less than favorable conditions. Usually, the seller is experiencing financial difficulties and is under extreme pressure to sell.

**Down Payment:** A percentage of the purchase price paid by the buyer in cash as opposed to the percentage of the price advanced by a lender, assumed by the buyer or financed by the seller.

**Due on Sale Clause:** See “Alienation Clause;” “Acceleration Clause.”

**Earnest Money:** The monetary advance by a purchaser of part of the purchase price as evidence of good faith. The earnest money is used to bind the parties to the contract of sale. See also “Deposit.”

**Easement:** A right to use the property of another created by grant, reservation, agreement, prescription or necessary implication. It is either for the benefit of land “appurtenant,” such as the right to cross A to get to B, or “in gross,” such as a public utility easement.

**Economic Feasibility:** A project’s feasibility in terms of costs and revenue, with excess revenue establishing the degree of feasibility.

**Economic Rent:** Calculations or analysis to determine market rental value of a property at any given time, even though the actual rent may be different.

**Effective Rent:** The rental rate 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.

**Egress:** See “Ingress and Egress.”

**Eminent Domain:** A right of the government to acquire private property for public use by condemnation, in return for just compensation. See also ‘Condemnation.”

**Encroachment:** Generally, a structure which extends impermissibly over a property line, easement boundary or building setback line.
**Encumbrance:** Any right to, or interest in, real property that may exist in one other than the owner, but which will not prevent the transfer of fee title. A claim, lien, charge or liability attached to and binding real property.

**Environmental Impact Report:** A report generally prepared by an independent company detailing the probable environmental effect of a development on the surrounding area.

**Equity:** The value of one’s interest in a property, consisting of its fair market value less any outstanding debt or other encumbrances.

**Equity Kicker:** Also called a participation loan. Under this kind of loan—often used by non-bank lenders with startup businesses—the lender gets not only interest payments and principal repaid, but the right to buy equity (part ownership in the company) as well. Equity participation is generally required for riskier deals or in return for lower rates.

**Equity Participation:** The participation by a lender in the equity ownership of a project as one of the conditions for granting a loan. Used by financial institutions to partially offset the effects of inflation. Also called “Equity Kicker.”

**Equity of Redemption:** Not the same as the redemption period after a foreclosure sale, which is a right established by statute. Properly, the right to pay off the mortgage lien in default by payment of the principal, interest and costs due.

**Escalation Clause:** A clause in a lease providing for increased rent at a future time. May be accomplished by several means such as (1) Fixed increase—A provision that calls for a definite, periodic rental increase; (2) Cost of living—A clause that ties the rent to a government cost of living index, with periodic adjustments as the index changes; or (3) Direct Expense—Rent adjustments based on changes in expenses paid by the landlord, such as tax increases, increased maintenance costs, etc.

**Escrow Agreement:** A written agreement usually made between a buyer, seller and escrow agent. The escrow agreement sets forth the basic obligations of the parties, describes the objects deposited in escrow, and instructs the escrow agent concerning the disposition of the objects deposited.

**Exclusive Listing:** A written agreement between a real estate broker and an owner. The owner promises to pay a fee or commission to the broker if specified real property is sold during a stated period. The broker may or may not be the cause of the sale.

**Existing Buildings:** Any building built prior to the current year; plus, those current-year buildings estimated to be ready for tenant build-out.

**Existing Space:** Total rentable space in an existing building.

**Expense Stop:** Provision in a lease establishing the maximum level of operating expenses to be paid by the landlord. Expenses beyond this level are to be reimbursed by the tenant. May be applied to specific expenses only (e.g., property taxes or insurance).

**Exposure Time:** Under Paragraph 3 of the Definition of Market Value, the value estimate presumes that a reasonable time is allowed for exposure in the open market. Exposure time is defined as the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at the market value on the effective date of the appraisal. Exposure time is presumed to precede the effective date of the appraisal.

**Face Rental Rate:** The “asking” or nominal rental rate published by the landlord.

**Fair Market Value:** The cash price that would likely be negotiated between a willing seller and willing buyer in a reasonable amount of time. For a sale to be considered a reflection of “Fair Market Value”...
Value,” it must meet all the conditions of a fair sale whereby: (1) both buyer and seller act prudently, knowledgeably and under no necessity to buy or sell, i.e., other than in a forced or liquidation sale; (2) the property must be offered on the open market for a reasonable amount of time, taking into consideration the property type and local market; and (3) payment is made in cash or terms equivalent to cash. When a sale is unlikely, i.e., when it is unlikely to be completed within 12 months, the appraiser must discount all cash flows generated by the property to ascertain the estimate of Fair Value.

**Feasibility Study:** An analysis of needs, costs of recommended improvements, and anticipated revenue and costs; establishes the basis for the construction of an individual improvement or a complete system.

**Fee Simple:** An estate of real property that the owner has unrestricted powers to dispose of and which can be left by will or inherited. Commonly used as a synonym for ownership.

**Finance Charge:** The cost of credit as a dollar amount. It includes any charges payable by the borrower as a condition of the loan. The finance charge includes the total amount of interest, points, loan fees and other credit charges paid for the term of the loan.

**FIRREA:** The Financial Institutions Reform Recovery and Enforcement Act of 1989. Created the Resolution Trust Corp. (RTC) and placed new restrictions on savings and loans regarding real estate investment.

**First Mortgage:** A mortgage creating a lien against a property which has priority over all other voluntary liens which exist against the property. Foreclosure of a first mortgage lien will generally extinguish or cut off any second mortgage lien or other subordinate lien.

**First Refusal Right:** A right that gives a tenant the first chance to buy a property if the owner decides to sell; generally given by an owner to a tenant. The owner must have a legitimate offer which the tenant can match or refuse.

**Fixed Assets:** Assets of a lasting nature, such as land, buildings or equipment, that are not usually converted to cash during course of business.

**Fixed Costs:** Costs, such as rent, which do not fluctuate in proportion to the level of sales or production.

**Flex Space:** Generally, one- or two-story buildings with little or no common areas, high ceilings, load-bearing floors and dock loading facilities. Usually configured to allow a small amount of office space in combination with light assembly or warehouse/distribution uses.

**Floor/Area Ratio (FAR):** The ratio of the bulk area 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.

**Floodplain:** Land adjoining a river that would flood if the river overflowed its banks.

**Floor Price:** The minimum that an owner will sell a piece of property for. Also called “Reservation Price.”

**Force Majeure:** A force that cannot be controlled or resisted. In other words, something beyond the control of the parties involved. Includes acts of God (e.g., flood, tornadoes, etc.) and acts of man (e.g., riots, strikes, arson, etc.).

**Foreclosure:** A proceeding, in or out of court, designed to extinguish all rights, title, and interest of the owners of property to sell the property to satisfy a lien against it.

**Full Recourse:** A borrowing with an unconditional guaranty. Should the borrower become delinquent under a full recourse loan, he or she must accept full responsibility for the loan.

**Full Service Rent:** A rental rate that includes operating expenses and real estate taxes for the first year. The tenant is generally still responsible for any increases in operating expenses over the base year amount. See also: “Pass Throughs.”

**Functional Design:** Design of a structure or facility that increases its overall efficiency and provides
maximum user acceptance; a parking concept plan showing traffic flow, stall geometry, and other features that determine the interior design of parking facilities.

**Future Proposed Space**: Commercial space in proposed development projects which either have not started construction or set a construction start date. Future proposed projects include all those waiting for a lead tenant, financing, zoning, approvals or any other event necessary to begin construction. Also, may refer to the future phases of a multi-phase project that have not yet been built.

**General Contractor**: The party that contracts for the construction of an entire building or project, rather than a portion of the work. The general contractor hires subcontractors (e.g., plumbing contractors, electrical contractors, etc.), coordinates all work, and is responsible for payment to the subcontractors.

**General Partner**: A member of a partnership who has authority to bind the partnership. A general partner also shares in the profits and losses of the partnership. See also “Limited Partnership;” “Partnership.”

**Graduated Lease**: A lease, generally long term in nature, with varied rental payments and usually based on periodic appraisal or simply the passage of time.

**Grant**: To transfer an interest in real property; either the fee or a lesser interest, such as an easement.

**Grantee**: One to whom a grant of property or property rights is made; generally, the buyer.

**Grantor**: One who grants property or property rights; generally, the seller.

**Gross Lease**: A lease that provides that the landlord shall pay all expenses of the leased property, such as taxes, insurance, maintenance, utilities, etc.

**Ground Lease**: A lease of land only, with the lease sometimes secured by improvements installed by the tenant. Also called a “Land Lease.”

**Ground Rent**: Rent paid for vacant unimproved property. If the property is improved, ground rent is that portion of the total earnings attributable to the land only.

**Guarantor**: One who makes a guaranty. See also “Guaranty.”

**Guaranty**: Agreement whereby the guarantor agrees to pay the debt or perform the obligation of another who fails to do so. Differs from a surety agreement in that there must be a failure to pay or perform before the guaranty can be in effect.

**Hard Dollars**: The actual cash proceeds from a loan that are given to the seller. See also “Soft Dollars.”

**Highest and Best Use**: The reasonably, probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum profitability.

**Hold Over Tenant**: A tenant who retains possession after the expiration of a lease.

**HVAC**: Heating, ventilating, and air conditioning equipment used in a building.

**Improved Value**: An appraisal term that encompasses the total value of land and improvements rather than the separate values of each.

**Improvements**: Generally, the term refers to buildings, but may include any permanent structure or other development, such as a street, utilities, etc. See also “On-Site Improvements.”

**Income Property**: Any real property that produces monetary income for the owner from the leasing of space.

**Incumbrance**: See “Encumbrance.”

**Indirect Costs**: Development costs other than direct material or direct labor costs, including
administrative and office expenses, financing costs and property taxes.

**Ingress and Egress:** A right to enter upon and pass through the land (public or private) of another.

**Insurance:** Income collected from tenants to offset the cost of all insurance, including insurance on structures (fire and other damage, plate glass, etc.), public liability, and rental value (lease and occupancy), equipment, etc.

**Inventory:** When referring to a market of office or industrial space, the total amount of rentable square feet of existing and delivered space in a given category, for example, prime office space. Inventory refers to the universe of space within a certain proscribed market without regard to its availability or condition and can include both office and flex and warehouse space.

**Involuntary Conveyance:** An involuntary transfer of real property without the consent of the owner, such as by a divorce decree, condemnation, etc.

**Joint Tenancy:** Estate that arises through the purchase or grant of undivided interest in property by two or more joint tenants. The interests in the estate must be equal, accruing under the same conveyance, and beginning at the same time. Upon the death of a joint tenant the interest passes to the surviving joint tenants, rather than to the heirs of the deceased.

**Judgment:** The decision of a court of law. Money judgements, when recorded, become a lien on real property of the defendant.

**Judgment Lien:** A lien placed against the property of a judgment debtor. An involuntary lien.

**Judgment Mortgage:** A mortgage creating a lien which is inferior or subordinate to a prior lien. Foreclosure of a junior mortgage will not extinguish any lien which is superior to it. See also “First Mortgage;” “Second Mortgage.”

**Just Compensation:** In a condemnation proceeding, the term refers to the amount paid to the property owner. The theory is that to be “just,” the property owner should be no richer or poorer than before the taking.

**Kicker:** See “Equity Participation.”

**Land Contract:** An installment contract for the sale of land whereby the seller has legal title until paid in full. The buyer has equitable title during the contract term

**Landlord’s Lien:** Several types of landlord’s liens are created by contract or by statute. Some examples are: 1) a contractual landlord’s lien; 2) 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.

**Landlord’s Warrant:** A warrant enabling a landlord to levy upon a tenant’s personal property (e.g., furniture, etc.) and to sell this property at a public sale to collect delinquent rent.

**Land, Tenements and Hereditaments:** Originally used to describe freehold estates only. The terms have come to mean the most technical and all-inclusive description of real estate.

**Land Use Planning:** The process of formulating long range plans for the use of land in a given area, such as through zoning plans.

**Land Use Regulation:** A general term encompassing any regulation of land, whether public (i.e., zoning) or private (i.e., restrictive covenants).

**Lateral Support:** The right of a Land owner to the natural support of his/her property by adjoining land. The adjoining owner has the duty to avoid any action (e.g., lowering his land) that would cause this support to be weakened or removed. See also “Subjacent Support.”

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

**Lease Commencement Date:** The date on which beneficial occupancy commences and the legal
terms of the lease go into effect.

**Leaseback:** See “Sale-Leaseback.”

**Leased Fee Estate:** An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; usually consists of the right to receive rent and the right to repossession at the termination of the lease.

**Leased Space:** Existing space currently under lease.

**Leasehold Improvements:** Improvements made to leased premises by a tenant. See also “Tenant Improvements;” “Work letter.”

**Legal Description:** A method of geographically identifying a parcel of land that is acceptable in a court of law.

**Legal Owner:** The term is used to distinguish the legal owner from the equitable owner, and not as opposed to an illegal owner. The legal owner has title to the property, although the title may carry no rights to the property other than to act as a lien.

**Legal Title:** Usually title without ownership rights, such as the title placed in a trustee under a deed of trust, or the title in a vendor under a land contract.

**Letter of Credit:** An engagement, pledge or commitment by a bank or person, made at the request of a customer, stating that the issuer will honor drafts or other demands for payment upon full compliance with the conditions specified in the letter of credit.

**Letter of Attornment:** A letter from a grantor to a tenant, stating that a property has been sold, and directing rent to be paid to the grantee (i.e., the new owner). See also “Attorn.”

**Letter of Intent:** A formal method through which a prospective developer, buyer or tenant expresses his/her interest in property. Depending on the language, a legal obligation may be created.

**Lien:** An encumbrance against property for money, either voluntary or involuntary. All liens are encumbrances but all encumbrances are not liens.

**Lienholder:** A mortgagee or other creditor who has a lien against the property of another.

**Lien Waiver (Waiver of Liens):** Generally, a waiver of mechanic’s lien rights signed by a general contractor and his subcontractors.

**Light and Air Easement:** An easement restricting the servient tenement from obstructing the light and air (usually the view) of the dominant tenement.

**Like-Kind Property:** A tax term used in certain real property exchanges. Property must be exchanged for like kind property and the tax consequences postponed pursuant to Section 1031 of the Internal Revenue Code.

**Limited Partner:** See “Limited Partnership.”

**Limited Partnership:** A partnership created under state law which consists of one or more general partners who conduct the business and are responsible for any losses, and one or more special or limited partners who contribute capital and are liable only up to the amount contributed.

**Liquidation Value:** The price that a property would bring under the conditions of a forced sale minus all costs associated with the liquidation process.

**Listing Agreement:** An agreement between a real estate broker and the property owner which authorizes the broker to assist in the sale or lease of that property. See also: “Exclusive Listing Agreement.”

**Loss Payable Clause:** A fire insurance policy clause that lists the priority of claims in the event of destruction of the insured property. Generally, a mortgagee, or beneficiary under a deed of trust, is the party appearing in the clause and is paid the amount owing under the mortgage or deed of trust before the owner of the insured property is paid.

**Lot:** A parcel of land, generally part of a series of parcels which make up a subdivision, the boundaries of which are created by and shown on a “plat.”
Lump-Sum Contract: A construction contract requiring the contractor to complete a building for a specified amount, usually established by competitive bidding. The contractor absorbs any loss or retains any profit.

Maker: One who executes (i.e., signs) a note in the capacity of the maker (i.e., borrower).

Market Indicators: Statistical measures of construction and real estate activity, including issued permits, indices of building costs, deeds recorded, and homes for sale.

Market Price: The price a property brings in a given market. Commonly used interchangeably with market value, although not truly the same. See also “Market Value.”

Market Rent: See “Economic Rent”

Market Study: A forecast of future demand for a type of project along with recommendations as to quantity to be sold or leased and prices to be charged. Also called “Marketability Study.”

Marketable Title: Title to real property that can be readily marketed (i.e., sold) to a reasonably prudent purchaser aware of the facts and their legal meaning concerning liens and encumbrances.

Market Rent: The rental income that a property would most probably command on the open market; indicated by current rents paid and asked for comparable space as of the date of the appraisal.

Market Value: The most probable price which a property should bring a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit is this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and acting in what they consider their own best interests; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financial or sales concessions granted by anyone associated with the sale.

Master Lease: A primary lease that controls subsequent leases and which may cover more property than subsequent leases.

Master Plan: A zoning plan for an entire governmental subdivision, (e.g., a city). A comprehensive plan to allow a city to grow in an orderly manner, both economically and ecologically.

Mechanic’s Lien: A claim created by state statutes for securing, priority of payment for the price or value of work performed and materials furnished in construction or repair of improvements to land, and which attaches to the land as well as to the improvements.

Mete and Bounds: The boundary lines of land described in accordance with their terminal points and angles. Originally metes referred to distance and bounds referred to direction. Today the words have no individual meaning of practical significance.

Minimum Rental: A fixed rent in a lease which may contain a formula for a higher rent (e.g., a percentage lease).

Mixed-Use Building: Building in which space is provided for more than one land use (e.g., an apartment building with office space, a hotel with office space, or a retail establishment with apartments).

Month-To-Month Tenancy: A tenancy whereby there is no written lease and rent is paid monthly. Some obligations of the parties (e.g., as to notice of moving or eviction) may exist by statute.

Mortgage: The instrument that evidences an interest in real estate and created to provide a pledge as security for the performance or repayment of a loan. The borrower (i.e., mortgagor) retains possession and use of the property.

Mortgagee: The party that lends the money and
receives the mortgage.

**Mortgagor:** The party that borrows the money and gives the mortgage on the property.

**Net Ground Lease:** A net lease of unimproved land. See “Net Lease.”

**Net Lease:** A lease in which the tenant pays, in addition to rent, certain costs associated with a leased property, including property taxes, insurance premiums, repairs, utilities, and maintenance. There are also “net-net” (double net) and “net net-net” (triple net) leases, depending upon the degree to which the tenant is responsible for operating costs. See also “Gross Lease.”

**Net Rentable Area:** See “Design Efficiency.”

**Non-Disturbance Clause:** Provision in a lease whereby the landlord warrants that he will not take, nor fail to take, any action that would breach the landlord’s covenant to quiet enjoyment. See also “Covenant of Quiet Enjoyment.”

**Non-Freehold Estate:** An estate other than a fee estate or life estate (e.g., a lease).

**Non-Recourse Loan:** A loan which does not allow for a deficiency judgment against a borrower in the event of default. The borrower cannot be held personally liable. The lender’s only available recourse in the event of default is the collateral or property.

**Nonjudicial Foreclosure Sale:** A property sale by a trustee under a deed of trust, or a mortgage under a power of sale of a mortgage.

**Notice of Completion:** Notice that is recorded to show that a construction job is finished.

**Notice to Quit:** A notice by a landlord to a tenant to vacate rented property. There are two types of notices to quit one for nonpayment of rent and a second for any other reason. Usually the notice for nonpayment allows less time to vacate.

**Nuisance:** A use of property that interferes with the use and enjoyment of other property because of excessive noise, odors, etc.

**Off-Site Improvements:** Improvements to land that make the adjoining property suitable for construction (e.g., streets, sidewalks, sewers, etc.).

**On-Site Improvements:** Structures erected permanently for use on a site, such as buildings, fences, etc. See also “Improvements.”

**Open Space:** The total area of land and/ or water not improved by a building, structure, street, road or parking area, or containing only such improvements as are complementary, necessary or appropriate to the use and enjoyment of the open area.

**Operating Expenses:** The actual cost of operating income-producing property, including utilities and similar day-to-day expenses, taxes, insurance and reserves for the replacement of items that wear out.

**Ordinary Repairs:** Repairs necessary to keep a property in good condition.

**Origination Fee:** A fee charged by a lender for making a real estate loan. Usually based upon a percentage of the amount loaned.

**Owner of Record:** The owner of property according to the land records of the county. See also “Record Owner.”

**Ownership:** Rights to the use, enjoyment, and alienation of property to the exclusion of others.

**Parking Area:** Parking Area is the space devoted to car parking, including on-site roadways, aisles, stalls, islands, and all other features incidental to parking.

**Parking Deck:** A structure for vehicle storage or parking, usually with partial walls, as opposed to a fully enclosed garage building.

**Parking Design:** The layout and design of a parking facility based on standard criteria.

**Parking Index:** Figure representing the number of parking spaces available per 1,000 square feet of gross leasable area.
**Partial Taking:** The taking of part of an owner’s property under the laws of eminent domain. Compensation must be based on damages or benefits to the remaining property, as well as the portion taken.

**Participation:** Lender involvement in a development for a percentage of gross sales or profit, as well as interest on the loan.

**Pass Throughs:** Building and operating expenses that are paid by the tenant under the terms of a lease.

**Percentage Lease:** A lease, generally on a retail business property, in which the rental is calculated as a percentage of sales. There is usually a minimum or “base” rental in the event of poor sales.

**Performance Bond:** A bond posted by a contractor guaranteeing the owner that the bonding company will complete construction if the contractor defaults.

**“Phantom” Space:** Generally, refers to space that is under lease to a tenant but not presently occupied. Usually created when a tenant consolidates or reduces operations in space it leases prior to the end of its lease term. The vacant but leased space may or may not be formally marketed on a sublet basis or counted among a market’s vacancy.

**PITT (Principal, Interest, Taxes and Insurance):** Acronym used to indicate what is included in a monthly mortgage payment on real property. Principal, interest, taxes and insurance are the four major portions of a typical monthly payment.

**Plans:** All drawings necessary to a construction project, including the subcontractor’s drawings. See also “Specifications;” working Drawings.”

**Plat (Plat Map):** A map dividing a parcel of land into lots, as in a subdivision.

**Power of Sale:** Clause in a mortgage or deed of trust giving the mortgagee or trustee the power to sell the property in the event of default.

**Precast Concrete:** Concrete building components fabricated at a plant site and shipped to the site of construction.

**Prelease:** A signed lease for space in a multi-tenant office building which has not yet received a Certificate of Occupancy.

**Premises:** (1) Buildings and immediately surrounding areas. (2) In conveyance, the part of a deed giving the names of the grantor and grantee, the consideration, and the description of the property conveyed.

**Prescriptive Easement:** The right to use another’s property acquired after open, notorious, adverse and continuous use of land for the statutory period. The easement must not be inconsistent with the owner’s rights.

**Primary Market Area:*** The geographic area surrounding a site from which it will draw the major portion of demand for various land uses, generally residential or retail. Also called “Market Area.”

**Prime Space:** First generation (new) space that is currently available for lease but has never been occupied by a tenant.

**Prime Tenant:** The major tenant in a building, shopping center, etc. It may be necessary to have a prime tenant to obtain construction financing.

**Proffer:** A development plan and/or written condition that, when offered by an owner and accepted by the county, becomes a legally binding part of the property in question.

**Proprietary Lease:** A lease issued to a shareholder in a cooperative that provides for long-term occupancy, with some restrictions on the resale of shares to another.

**Proration:** To divide (i.e., prorate) property taxes, insurance premiums, rental income, etc., between buyer and seller proportionately to time of use or as of the date of closing.

**Public Facilities Manual:** A manual that defines guidelines which govern the design of facilities which must be constructed to serve new developments. The
guidelines include streets, drainage, sanitary sewers, erosion and sediment control and tree preservation and planting.

**Punch List:** An itemized list noting incomplete or unsatisfactory construction. Usually prepared by the tenant architect after the contractor has notified the owner that the tenant space is substantially complete.

**Quiet Enjoyment:** See “Covenant of Quiet Enjoyment.”

**Quitclaim Deed:** A deed operating as a release and, as such, intended to pass to the grantee any title, interest, or claim that the grantor may have in the property, but not containing any warranty of valid interest or title in the grantor.

**Raw Land:** Land in its natural state. Land that has not been subdivided into lots, does not have water, sewers, streets, utilities, or other improvements necessary before a structure can be constructed.

**REO (Real Estate Owned):** All real estate directly owned by a lender, including real estate taken to satisfy a debt. Includes real estate acquired by lenders through foreclosure; or in settlement of any other obligation to the lender.

**Real Property:** (1) Land and anything permanently affixed to the land, such as buildings, fences, and those things at attached to the buildings, such as light fixtures, plumbing and heating fixtures, or other items which would be personal property if not attached. (2) May refer to rights in real property as well as the property itself.

**Reassessment:** Re-estimating the value of all property in a given area for tax assessment purposes.

**Recapture:** That portion of the gain from the sale of real estate that is taxed as ordinary income tax rates. Calculated as the difference between the accelerated depreciation taken and the straight-line depreciation that would have been allowed.

**Recorder:** See “Registrar of Deeds.”

**Recording:** The filing of documents, for public record, that affect real property and give notice to future purchasers, creditors, or other interested parties. Recording is controlled by statute and usually requires the witnessing and notarizing of an instrument. Generally, a fee is charged to record an instrument.

**Record Owner:** See “Owner of Record.”

**Recourse:** The right of a lender or holder of a note secured by a mortgage to look to the personal assets of the borrower or endorser for payment, not just to the property.

**Redeemable Rent:** Rent that by agreement is refunded or set off against the selling price when the tenant exercises a purchase option.

**Redemption:** The canceling of a defeasible title to land, such as that created by a mortgage foreclosure or tax sale.

**Re-Entry:** The right to resume possession when the possession was given to another. Not automatic and court action may be necessary.

**Reformation:** The process by which a deed or other document that, through mistake or fraud, does not express the real agreement or intent of the parties, is converted.

**Registrar of Deeds:** A term used in some states to describe the person in charge of recorded instruments. See also “Recorder.”

**Rehab:** A building undergoing extensive rehabilitation to cure obsolescence, so it can compete in the market. Some rehab projects are so extensive that tenants may not be in the building during the work period.

**Renewal Option:** The right of a tenant to renew (i.e., extend the term of) a lease for a stated period and rent at an amount that can be determined.

**Rent:** Consideration paid for the occupancy and use of real property. A general term covering any consideration (not only money).
Rent Commencement Date: The date on which a tenant begins paying rent. Depending upon the nature of the marketplace, it may coincide with the lease commencement date or it may be several months after. It will never begin before the lease commencement date.

Rentable Square Feet: Usable square feet plus a percentage (the core factor) of the common areas on the floor, including hallways, bathrooms and telephone closets. (And sometimes main lobbies.) Rentable square footage is the number of square feet on which a tenant’s rent is based.

Rental Concession: See “Abatement”

Rent-Up Period: The period following construction when tenants are actively sought, and the project is approaching stabilized occupancy.

Restrained of Alienation: Restrictions placed against the transfer (i.e., vesting) or sale of property. Certain restrictions are allowed but must conform to the rule against perpetuities and the free right of an owner to sell. For example: Selling on the condition that the grantee could resell only to members of a certain family would be too restrictive and not valid.

Restriction: Most commonly used to describe a use or uses that the owner of land is prohibited from engaging in. Restrictions are set forth by former owners in deeds or, in the case of a subdivision, a declaration of restrictions is recorded by the developer. A limitation on use of the property by law (zoning ordinances) may also be termed a restriction.

Restrictive Covenant: See “Restriction.”

Retentions: Portions of interim invoices not paid until after completion of a construction project. Intended to provide some assurance of satisfactory completion (e.g., the contractor holds out a percentage of each payment to a subcontractor until all work is completed in an acceptable manner).

Reversion: The residue of an estate that vests in a grantor or the grantor’s heirs, or in the heirs of a testator, and which commences upon the termination of an estate; any future interest left in a transferor or his successor. Example: A grants to B for life, then back to A upon B’s death. A has an estate in reversion.

Right of First Refusal: See “First Refusal Right”

Right of Way: A strip of land used as a road bed for a street or railway. The land is set aside as an easement or in fee, either by agreement or condemnation. May also be used to describe the right itself to pass over the land of another.

Rule Against Perpetuities: A common law principle that states that a property interest is void unless it vests not later than the remaining time of a life or lives in being (i.e., the remaining life of someone presently alive), plus gestation time, plus twenty-one years. The rule may have been modified by statute and should be checked in each state.

Running with The Land: This term is generally synonymous with and usually used in reference with easements and covenants. It also means passing with the transfer of the land.

Sale-Leaseback: A financing arrangement in which a property owner sells all or part of the property to an investor and then leases it back. Although the lease follows the sale, both are agreed to as part of the same transaction.

Seal: A physical impression made on a document to attest to a signature. Common types are corporate and notary seals.

Second Mortgage: A mortgage that ranks after a first mortgage in priority. Properties may have two, three, or more mortgages, deeds of trust, or land contracts as liens at the same time. Legal priority determines the designation first, second, third, etc.

Secondary Space: Space which has been previously occupied and becomes available for lease. Includes both re-let and sublet space.

Security Deposit: Generally, a deposit of money by a tenant with a landlord to secure performance of a lease.

Seisen (Seizen): The term originally referred to the
completion of feudal investiture by which a tenant was admitted into the field to render services to the lord or proprietor. Today it has come to mean possession under a legal right (usually a fee interest).

**Sequestration, Writ of:** The taking custody of one’s property (real or personal) to force compliance with a court order.

**Service Level:** An estimate of the effectiveness with which a roadway carries traffic, usually determined under peak anticipated load conditions.

**Set-Back Ordinance:** Part of a zoning ordinance that regulates the distance from the lot line to the point where improvements may be constructed.

**Setback:** The distance from a lot line or other reference point within which no structure may be located.

**Settlement Statement:** A statement prepared by broker, settlement attorney or lender that gives a complete breakdown of costs involved in a real estate sale.

**Site Analysis:** The study of a specified parcel of land (and the surrounding area) to determine its suitability for a specific use.

**Site Development:** All improvements made to a site before a building may be constructed, such as grading; utility installation, etc.

**Site Plan:** A detailed plan, to scale, depicting development of a parcel of land and containing all information required by the zoning ordinance.

**Slab:** The exposed wearing surface laid over the beams of a structure.

**Slander of Title:** The making of malicious, untrue statements regarding one’s title or interest in property.

**Soft Dollars:** That portion of equity investment that may be tax-deductible in the first year. See also “Hard Dollars.”

**Space Plan:** Sometimes called

the preliminary plan. A graphic representation of a tenant’s office space requirements, showing wall and door locations, room sizes, and some furniture layouts.

**Special Assessment:** Any special charge levied against real property for public improvements (e.g. sidewalks, sewers, etc.) that benefit the assessed property.

**Specific Performance:** A lawsuit in which the court compels one of the parties to perform or carry out the provisions of a contract into which he has entered.

**Specifications:** A listing of materials and construction techniques that, in combination with working drawings, composes the contract documents indicating the exact way a project should be built. See also “Contract Documents;” “Working Drawings.”

**Speculative Space:** Any prime space that has not been leased to a tenant prior to construction.

**Squatter’s Rights:** Commonly confused with adverse possession. A squatter has no ownership rights and cannot, under the definition of a squatter, acquire any such rights since he claims no interest adverse to the owner.

**Step-Up Lease (Graded Lease):** A lease calling for set increases in rent at set intervals.

**Straight Lease (Flat Lease):** A lease calling for the same amount of rent to be paid periodically (usually monthly) for the entire term of the lease.

**Strip Center:** Any shopping area, generally with common parking, comprised of a row of stores. Usually does not contain major department stores or grocery chain stores.

**Subcontractor:** One who works under a general contractor; often a specialist, such as an electrical contractor, cement contractor, etc.

**Subdivision Plat:** A detailed drawing, to scale, depicting division of a parcel of land into two or more lots and containing engineering considerations
and other information required.

**Subjacent Support:** The right of land owner to have the surface of his land supported by the land under it, so that it does not collapse. Work on adjoining land could cause this problem. See also “Lateral Support.”

“**Subject To**” Clause: A clause in a deed that states that the grantee takes title “subject to” an existing mortgage. The original mortgagor is alone responsible for any deficiency should there be a foreclosure of the mortgage. Differs from an “assumption” clause, whereby the grantee “assumes” and agrees to pay the existing mortgage.

**Subordination Agreement:** An agreement by which the priority of a mortgage lender is relinquished in favor of that of a lender that would otherwise be junior in status.

**Subrogation:** The substitution of one person in the place of another. Used with reference to a legal claim or right the substituted person succeeds to all rights.

**Substantial Completion:** The point in the construction process at which the architect certifies that most of the work has been completed. At substantial completion, construction is about 90% complete, but long-lead items such as glass doors and special lighting may not be installed.

**Surety:** One who voluntarily binds himself to be obligated for the debt or obligation of another. A common example is the co-maker of a note. Surety differs from guarantor, although the terms are commonly (and mistakenly) used interchangeably.

**Surface Rights:** The rights (i.e., easements) to use the surface of land, including the right to drill or mine through the surface when subsurface rights are involved.

**Surrender:** A contractual agreement entered with the consent of both parties whereby one party relinquishes all rights to an estate.

**Survey:** The measurement of the boundaries of a parcel of land, its area and sometimes its topography.

**Taking:** A common synonym for condemnation or eminent domain.

**Tax Base:** Assessed valuation of real property, which is multiplied by the tax rate, to determine the amount of tax due.

**Tax Lien:** (1) A lien for nonpayment of property taxes. Attaches only to the property upon which the taxes are unpaid. (2) A federal income tax lien. May attach to all property of the person owing the taxes.

**Tax Roll:** A list containing the descriptions of all parcels in the county, the names of the owners (or those receiving the tax bill), assessed values and tax amounts.

**Tenancy by the Entirety:** A form of ownership by husband and wife where each owns the entire property.

**Tenancy in Common:** An undivided ownership in real estate by two or more persons. The interests need not be equal and, in the event of the death of one of the owners, no right of survivorship in the other owners exists.

**Tenant:** (1) A holder of property under a lease. (2) Originally, one who had the right to possession, irrespective of the title interest.

**Tenant at Sufferance:** One who comes into possession lawfully but holds over after the termination of his interest.

**Tenant at Will:** One who holds possession of premises by permission of the owner or landlord, but without agreement for a fixed term.

**Tenant Improvements:** Improvements to land or buildings to meet the needs of tenants. May be new improvements or remodeling, and may be paid for by the landlord, the tenant, or shared. See also “Leasehold Improvements; “Work letter.”

**Tenant’s Rentable Square Feet:** Usable square feet plus a percentage (the core factor) of the common areas on the floor, including hallways, bathrooms.
and telephone closets. (And sometimes main lobbies.) Rentable square footage is the number on which your rent is based.

**Tenant’s Usable Square Feet:** The square footage contained within the demising walls.

**“Time Is of The Essence”:** Clause used in contracts to bind one party to performance at or by a specified time to bind the other party to performance.

**Title:** The means whereby one has just and full possession of real property.

**Title Insurance:** Insurance against losses resulting from defects of title to a specifically described parcel of real property. Defects may run to the fee (i.e., chain of title) or to encumbrances.

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

**Trade Fixtures:** Personal property used in a business and attached to a structure, but removable upon sale because it is deemed to be part of the business, not of the real estate.

**Transfer:** Act by which the title to property is conveyed from one person to another.

**Transfer Tax:** State tax on the transfer of real property. Based on purchase price or money changing hands. Also called Documentary Transfer Tax.

**Triple Net (NNN) Rent:** Rental rate which does not include any of the landlord’s operating expenses or real estate taxes for the building. See also “Full Service Rent.”

**Turn Key Project:** A project in which the developer is responsible for the total completion of a building (including interior design and construction) or demised premises to the customized requirements of a future owner or tenant.

**Under Construction Property:** All new office buildings for which ground has been broken that have not been granted a Certificate of Occupancy.

Planned buildings are not included.

**Under Contract:** A property for which a purchase offer has been accepted by the seller is said to be “under contract.” Generally, the prospective buyer is given a certain period in which to perform feasibility studies and finalize financing arrangements. During the time, the seller cannot entertain offers from other buyers unless the purchase contract can expire without going to closing.

**Under-Lease:** A sub-lease for less than the remaining term on the master lease or less than the total property covered by the master lease.

**Unencumbered:** Free of liens and other encumbrances. Free and clear.

**Unimproved Land:** Most commonly land without buildings; it can also mean land in its natural state.

**Unmarketable Title:** A title that is not saleable due to serious defects.

**Unrecorded Instrument:** A deed, mortgage, etc., that is not recorded in the recorder’s office and, therefore, not protected under recording statutes.

**Use:** Specific purpose for which a parcel of land or a building is designed, arranged, intended, occupied or maintained.

**Use Value:** The value of a single purpose property or building.

**Useful Life:** (1) In an appraisal for sale purposes, the term refers to the true economic value of a building in terms of years of use by the owner. (2) For tax purposes, the term refers to the life set for depreciation. At any time during this period, a new life could begin for a new owner.

**Vacancy Factor:** The amount of gross revenue lost because of vacant space; an allowance item on pro forma income statements, usually calculated as a percentage of gross revenue.

**Vacancy Rate:** Vacant space times 100 divided by existing space.
**Vacant Space:** Existing space which is currently being marketed, excluding sublet space.

**Variance:** A permit that grants a property owner relief from certain provisions of a zoning ordinance when, because of the physical surroundings, shape or topographical condition of the property, compliance would result in a hardship or practical difficulty which would deprive the owner of the reasonable use of the land or building involved.

**Vendee:** Purchaser or “buyer,” generally used in real property context.

**Vendor:** The person who transfers property by sale. Another word for “seller.” Commonly used in land contract sales.

**Warranty:** A binding promise made at the time of a sale whereby the seller gives the buyer certain assurances as to the condition of the property.

**Wear and Tear:** The deterioration or loss in value caused by the tenants normal and reasonable use. In many leases the tenant is not responsible for “normal wear and tear.” See also “Normal Wear and Tear.”

**Work letter:** The standard building items that the landlord contributes as part of the tenant improvements. Examples of standard building items are: doors, partitions, lights, floor covering, telephone outlets, etc. The Work letter may specify the quantity and quality of the materials to be used and often carries a dollar value.

**Working Drawings:** The set of plans for a project that, in combination with a set of specifications, comprise the contract documents indicating the exact way a project should be built. See also “Contract Documents.”

**Workout:** The process by which a borrower attempt to negotiate with a lender to restructure the borrower’s debt rather than go through foreclosure proceedings.

**Zoning:** A method of regulating use of real estate by dividing a city or other area into zones and designating which uses may be permitted for land in each zone.

**Zoning Ordinance:** The set of laws and regulations, generally at the city or county level, that control the use of land and construction of improvements in a given area or zone.