

## Commercial Real Estate Terms You Should Know and Understand

Whether you own or rent your space for your business, property costs and obligations surrounding ownership or leasing are one of the largest business expenses that you will incur. They will have a significant impact on your operation because of long term commitments that you will have to making. That's why it's important to comprehend the full ramifications of taking over title to a property or entering into a lease agreement. Therefore, we recommend that you always retain a commercial real estate broker holding the CCIM Designation and real estate attorney with a proven track records and education in commercial real estate transactions . Also, you should familiarize yourself with some common commercial real estate terms:

- A-2 Survey:** A legally recognized survey of the measurements of the boundaries of a parcel of land, its area, and sometimes its topography. This survey may also include any/or all underground utility feeds, fencing, encroachment, easements, etc. This document is stamped by a licensed land surveyor and is often required by mortgage holders.
- Acre:** A measure of land equal to 43,560 square feet in any shape
- Add on Factor:** Generally accept term used to describe the percentage of floor area added on to a base square foot measurement to accommodate for common areas in a building used by all tenants.
- Assignment:** A transfer to another of any property, real or personal, or of any rights or estates in said property. Common assignments are of leases, mortgages, deeds or trust, but the general terms encompass all transfers to title.
- Base Rent:** Is the rate at commencement of the lease. It is subject to annual increases unless otherwise negotiated in the lease or Addendum or an attached amendment. This phrase has more than one meaning. To some landlords, and in some markets it refers to the rental rate minus operating expenses., i.e. \$14 per square foot quoted rate, the building operates at \$6.50 (operating expense cost); therefore, the base rate(net rent) is \$7.50.
- Common Area:** Any space in a building affording common use for all tenants, with the exception of vertical penetrations. Common Areas include lobbies, corridors, restrooms, building break rooms, building conference room, health facility, janitorial closets and storage rooms. It does not include the stairwells or the elevator shafts, flues or vertical ducting.
- Cost/SF:** (A common method of pricing space for lease.) In most lease offering in the market, properties to lease and corresponding operating expense are priced on an annualized cost per SF basis. It is important that you understand what the actual annual and monthly rent obligations are going to be by multiplying the "Rentable SF" of the space by the \$ / SF being quoted. This will give you the annual rent; divide by 12 to get the monthly rent. (Please note that it is common practice to price lease space on a \$ / month basis on the West Coast.)
- Demising Wall:** A common wall that separates two tenants . Often requiring fire rating standards set by state and/or local municipalities.
- Escalation Clause:** The clause in the lease that addresses the increases to be passed on to the tenant during the life of the lease.

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<b>Establishment:</b>	“Establishment” means any real property at which or any business operation from which (A) on or after November 19, 1980, there was generated, except as the result of remediation of polluted soil, groundwater or sediment, more than one hundred kilograms of hazardous waste in any one month, (B) hazardous waste generated at a different location was recycled, reclaimed, reused, stored, handled, treated, transported or disposed of, (C) the process of dry cleaning was conducted on or after May 1, 1967, (D) furniture stripping was conducted on or after May 1, 1967, or (E) a vehicle body repair facility was located on or after May 1, 1967;
<b>Estoppel Certificate:</b>	A document signed by the tenant stating the current condition of the lease and any other agreements between the landlord and tenant.
<b>Fair Market Value:</b>	FMV, this is the price that the property would most likely bring in today’s market.
<b>Fee Interest:</b>	An ownership under which the owner is entitled to unrestricted powers to use and dispose of the property, and which can be left by will or inherited. Commonly, a synonym for ownership.
<b>Grantee:</b>	Buyer, one to whom a grant is made.
<b>Grantor:</b>	Seller, one who grants property or property rights.
<b>Gross Lease:</b>	The type of lease that is all inclusive. The tenant pays rent only; the owner pays all expenses related to the property.
<b>Hazardous Waste:</b>	"Hazardous waste" means any waste which is (A) hazardous waste identified in accordance with Section 3001 of the federal Resource Conservation and Recovery Act of 1976, 42 USC 6901 et seq., (B) hazardous waste identified by regulations adopted by the Connecticut Commissioner of Environmental Protection, or (C) polychlorinated biphenyls in concentrations greater than fifty parts per million except that sewage, sewage sludge and lead paint abatement wastes shall not be considered to be hazardous waste for the purposes of this section and sections 22a-134a to 22a-134d, inclusive of the Connecticut General Statutes.
<b>Leasehold Interest:</b>	An ownership in realty held under a lease; a use of that real estate for a fixed term. Considered in some states to be personal property.
<b>Lessee:</b>	The individual or company leasing space from another party.
<b>Lesser:</b>	The individual or building owner leasing space to another party.
<b>Lien:</b>	An encumbrance against personal items such as property for money.
<b>NNN Lease:</b>	A lease agreement that provides for the tenant to pay as additional rent, its proportionate share of real estate taxes, building insurance and common area maintenance such as snow plowing, landscaping and management. Additionally, the tenant will pay for his own utility and janitorial service.
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- Operating Expenses:** The landlord's cost to operate the property. Some items included are: real estate taxes and assessments and other taxes, utilities, insurance, maintenance and repairs, common area refurbishing, janitorial, materials and supplies, repair service, cost of property management, security fees, employees and contractors, outside maintenance, cost of signs, rubbish removal, pest control, bulb replacement, etc.
- Quit-Claim Deed:** A deed operating as a release; intended to pass any title, interest, or claim which the grantor may have in the property, but not containing any warranty of a valid interest or title in the grantor.
- Rentable SF:** The amount of square feet, including the common area factor of the building. This typically is the square footage the tenant will pay rent on.
- Sublease:** Occurs when a tenant re-leases their space during the term of their tenancy. It is generally a three party transaction. Sub-lessee leases space from tenant and Landlord approves. This does not release the Tenant from its obligations of the lease.
- Useable SF:** The amount of square feet measured within the confines (Premises) of the tenant's space.
- Warranty Deed:** A deed used in many states to convey fee interest/title to real property. Until the widespread use of title insurance, the warranties by the grantor were very important to the grantee. When title insurance is purchased, the warranties become less important as a practical means of recovery by the grantee for defective title.

If you should have any other questions regarding leasing or acquiring/selling commercial real estate, please contact Frederick P. Petrella, CCIM, [fredp@ctrealtygroup.com](mailto:fredp@ctrealtygroup.com), or call at 203-484-0425