

Commercial Real Estate Vocabulary Sheet

Assessed Value	The worth of a commercial real estate property for municipal tax purposes.
Broker	Professionals who serve as the middlemen between sellers and buyers of commercial real estate. Work with clients through the process of buying, selling or leasing.
Building Classification	Three categories for commercial real estate: A (new, state-of-the-art offices), B (10–20 years old, mid-market appeal) and C (20+ years old, lower price points).
Build-to-Suit Lease	A type of commercial real estate agreement wherein a developer/landlord builds a commercial property based on tenant requirements.
Common Area	Spaces for use by all tenants in a commercial real estate property e.g. hallways, elevators, parking lots, public restrooms.
Common Area Maintenance Fees	Fees that include all of the costs of operating the commercial property, including shared common areas.
First Generation Space	Commercial real estate space that has not yet been occupied by another tenant. Typically, more build-out customizations are available to the tenant.
Flex Space	Commercial property space that can be used for multiple purposes such as reception, lounges, conference rooms, kitchens, etc.
Gap Analysis	An agreement between the tenant and landlord in which a tenant can develop property during the lease period. After the lease period ends, any development is turned over to the property owner.
Ground Lease	Commercial real estate lease wherein the tenant's rent covers all property operating expenses including taxes, utilities and maintenance. Rent is higher, but all-inclusive.
Landlord	The owner of a commercial property who rents it to a tenant.
Lease	A contract by which one party (the landlord) rents property to another (the tenant) for a specified time in return for period payment.
Letter of Intent	A written document that covers the tenant's commitment to lease or purchase the property. Includes the terms of the lease, timeframes and any concessions or negotiations.
Market Value	The worth of a commercial real estate property based on what a buyer would be willing to pay. Usually higher than the assessed value.
Modified Gross/Net Lease	Commercial real estate lease wherein the tenant and landlord negotiate base rent and operating expenses. Lease rate remains fixed even if costs increase or decrease.

Net Lease	Commercial real estate lease wherein the tenant pays a lower base rent in addition to fixed operating expenses e.g. taxes, insurance and maintenance.
Occupancy Rate	The percentage of all available units in a commercial rental property that are currently occupied by tenants.
Option to Buy	A contractual option included in the lease that offers the tenant the option to buy the property at the end of the term.
Purchase & Sale Agreement	A document prepared by the potential buyer that is presented to the seller after acceptance of a written offer. Typically includes final sale price, timelines, contingencies, closing date and other relevant legal information.
Site Factors	The factors that influence a tenant's decision when choosing a commercial space e.g. traffic flow, market analysis, property size and zoning restrictions.
Second Generation Space	Commercial real estate space that was previously occupied by another tenant. Lower cost of entry, but fewer customizations are available to the tenant.
Tenant Improvements	Alterations and improvements made to the property by the tenant, such as repainting a wall or modifying flooring.
Vacancy Rate	The percentage of all available units in a commercial rental property that are unoccupied. Opposite of occupancy rate.
Zoning	The way a municipality segments its land for different uses e.g. commercial, agricultural, industrial and residential



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