



## Glossary of Terms in Commercial Real Estate

Commercial real estate can be confusing if you are not familiar with the terms used in this industry. For example: What is a cap rate and how do you determine the cap rate? What does NNN mean when it follows the lease price? What is TI allowance? What are CAM and CPI? NAI Utah Commercial Real Estate is pleased to provide some definitions and answers to common commercial real estate terms and questions.

**Base Rent:** The minimum monthly rent, usually computed on a per-square-foot-per-year basis, due under the lease.

**Build-to-suit:** Refers to the interior construction of a tenant's space usually resulting in a single occupant building which is then leased or sold to the tenant

**BOMA:** Building Officials Conference of America, which writes the guidelines for basic, community building codes.

**Common Area Maintenance (CAM):** An additional, annual charge often assessed to tenants for maintenance of the property's "common area", such as its entryways, hallways, bathrooms.

**CPI (Consumer Price Index):** A measure of inflation as determined by the US federal government by using a "basket of goods". Used in leases as an impartial benchmark for the calculation of escalations.

**Estoppel Certificate:** A statement concerning the status of an agreement, (usually a lease) and the performance of obligations under the agreement. A third party such as a lender, relies on the statement (which is usually unilaterally executed by the tenant) for such things as making a loan on property.

**Gross Lease:** Commonly specified one rental amount inclusive of rent, taxes, utilities, maintenance, etc. associated with the rental of a property.

**Leasehold Improvements:** Construction or improvements for the purpose of preparing the premises for the conduct of tenant's business. Improvements permanently attach to the premises unless they are trade fixtures, and they remain with the premises after the end of the term of the lease.

**Net Lease:** Structured such that a base rent for a rental property is paid to landlord. In addition, other charges such as utilities and building property taxes, insurance and maintenance are also payable by tenant. Sometimes referred to as triple net (NNN) or absolute net lease.

**Rentable Square Feet:** The rentable area includes the usable area plus a prorate portion of common areas on the entire office floor, excluding vertical shafts, such as elevators, stairs, mechanical risers, etc. Rent is usually charged on rentable area.

**Tenants Improvements (T.I.'s):** Standard building materials and quantities identified by the landlord which are to be provided at no cost to the tenant to improve tenant premises usually stated as \$ per sq. ft.

**Triple Net (NNN):** Generally refers to the requirement for the lessee to pay for its share of the property's taxes, insurance and operating expenses.

**Usable Square Feet:** Denotes the number of square feet in a commercial building or suite deemed to be usable by BOMA (Building Owners & Managers Association).