

Commercial Property

165 Common Terms
Used by Investors



Chris Lang

On a personal note ...

There will be some investors who are new to Commercial Property; and then others, who have been dabbling in it for a while now.

However, it's important for you (as an Investor) to have a full understanding of the various terminology being used.

As such, this **Glossary** is intended to give you a document you can keep handy, and refer to going forward.

And hopefully, it will answer most of the queries you've had so far.

I trust you will find it helpful ...

A handwritten signature in black ink, appearing to read 'Chris', with a stylized flourish underneath.

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The Various Common Terms Used By Commercial Investors

ADJOINING

In actual contact with another object (ie: attached). Same as "Contiguous".

AGENT

An individual/entity who transacts, represents, or manages business for another individual/entity. Permission is provided by the individual/entity being represented.

AGENTS IN CONJUNCTION

You (as a vendor or landlord) may appoint more than one agent; or an appointed agent may act with another agent, who introduces a purchaser or tenant, to your property.

AIR RIGHTS

Rights concerning the building upon, or occupancy of, the vertical space above the specified site.

ALLOTMENT

A smaller portion of the original, larger title — sometimes called a 'block'.

AMORTIZATION

Regular repayments are made over an agreed time to recover your capital investment.

ANCHOR TENANT

The big-name tenant in a shopping complex, which attracts other tenants and customers.

APPRECIATION

An increase in property value triggered by inflation, improvements or increased demand.

ARCADE

A covered walkway, usually with shops along both sides.



ARREARS

Debts, usually rent and outgoings, which have not been paid on time.

ASSESSMENT

The rates or taxes apportioned to a particular property.

ASSETS

The sum of your real and personal property, including equities.

ASSIGNMENT

The manner by which a contract is transferred from one individual to another individual.

AVERAGE

The term is Subject to Average and it is used by insurers when responding to a claim on property, which has been covered for less than its full value.

BODY CORPORATE

The legal administrative group of owners of offices, shops or industrial buildings — to administer the Common Property.

BONA FIDE

Genuine, honest, in good faith.

BRIDGING FINANCE

A temporary loan to bridge the time-gap between paying for one property and receiving payment from a previous property.

BUILD OUT

The construction or improvements of the interior of a space, including flooring, walls, finished plumbing, electrical work, etc.

BUILDING LINE

The uniform distance, usually from a road, behind which buildings must be erected.

**BUILDING PERMIT**

Written council permission to develop, renovate, or repair a building.

BUILDING REGULATIONS

Laws laying down standards in materials and construction methods, which you must observe to maintain health, safety and certain design minimums in any building or alteration.

BUYING COMMISSION

The money you pay to your property adviser, for helping you to acquire a specific type of building.

CANCELLATION CLAUSE

A provision in a contract (eg: lease) that confers the ability of one in the lease to terminate the party's obligations. The grounds and ability to cancel are usually specified in the lease.

CAPITAL IMPROVEMENT

Any major physical development or redevelopment to a property that extends the life of the property. Examples include upgrading the lifts, replacement of the roof, and renovations to the lobby.

CAPITAL IMPROVED VALUE

The amount of money a property might reasonably be expected to realise, if sold at the time of a municipal valuation.

CERTIFICATE OF OCCUPANCY (CO)

The council issues this official form, which states that the building is legally ready to be occupied.

CHATTEL

Household goods, including personal property such as lamps, desks, and chairs.

CLIENT

You — as the person who engages an agent or Valuer; and who is obliged to pay that Agent or Valuer their commission or fee.

COMMERCIAL PROPERTY

Property used for business purposes ... Office buildings, Shops, Warehouses, Hotels, etc.

COMPENSATION

The money paid to a property owner when all (or part) of the property is compulsorily acquired by a statutory authority. It takes into account such things as market value, the effect on the balance of the property, loss of income, etc.

COMPOUND INTEREST

The combination of interest paid on the principal and on interest accrued.

CONSIDERATION

Any payment made to consummate a Sale or Lease.

CONSOLIDATION OF TITLE

Where several parcels of land are put together, and a new Certificate of Title is issued to replace all the earlier certificates.

CONSTRUCTION COSTS

The sum of labour and material costs, plus contractors' overheads and profits in the erection or improvement of a property.

COUNTERPART

An identical copy of an original document.



COVENANT

An agreement between the landlord and tenant ... or the vendor and purchaser — covering specific things, which will be done (or cannot be done) to a property.

COVER NOTE

Immediate insurance cover — often issued by an insurance broker on the insurance company's behalf, for a property, which has just been acquired.

COMMON AREA MAINTENANCE

This is the amount of additional rent charged to the tenant, in addition to the base rent, to maintain the common areas of the property shared by the tenants and from which all tenants benefit. (Examples include: building repairs, lift & air-conditioning maintenance public lighting, structural insurance, parking maintenance. Most often, this does not include any capital improvements that are made to the property.)

CONTIGUOUS

Touching at some point or along a boundary.

CONTINGENCY

A requirement in a contract that must occur before that contract can be finalized.

CONTRACT

A legal agreement between entities that requires each to conduct (or refrain from conducting) certain activities. This document provides each party with a right that is enforceable under our legal system.

COVENANTS

Wording found in deeds or titles, which limits/restricts the use to which a property may be put (eg: only single-storey structures).

DATE OF SETTLEMENT

The day, under the terms of the Contract, when a vendor is obliged to transfer a property to the purchaser.

DEED

A signed, written instrument that conveys title to (or use of) real property.

DEED RESTRICTION

An imposed restriction in a deed that limits the use of the property. For example, a restriction could prohibit the sale of alcoholic beverages.

DEFAULT

Failure to fulfil a promise, discharge an obligation, or perform certain acts.

DELIVERY

Transfer something from one entity to another.

DEFERRED INCOME

Future income as from a lease — which can include periodic rent increases.

DEPRECIATION

The decline in a building's value due to passage of time, deterioration, or changes to neighbouring properties.

DEVELOPER

Any person who buys property and, by improving it through refurbishment or construction, lifts its value.

DIRECT COSTS

Site costs (purchase price + legal expenses + commission), plus improvement cost (plans and permits + professional fees + construction).

DISTRICT BUSINESS CENTRE

The heart of a substantial shopping centre in a suburb.

EASEMENT

The contractual right of one person to use a portion of another persons land — usually as a driveway for access, or as a run off for water.

ECONOMIC LIFE

The potential number of years a building could continue to generate a useful income.

EFFECTIVE RATE

The real rate of return or repayment, as opposed to the nominal rate.

EJECTMENT

Action to regain possession or real property. This is a last-ditch effort that is used, when there is no relationship between landlord and tenant.

EMINENT DOMAIN

The government's right to condemn and acquire property for public use. The government must provide the owner with fair compensation.

ENDORSEMENT

Signing one's name on the back of a cheque.

EQUITY

The percentage of a property you own, after outstanding loans have been deducted from the market value.



ESCROW

A written agreement among parties, requiring that certain property/funds be placed with a third party. The object in escrow is released to a designated entity upon completion of some specific event.

EVICTION (ACTUAL)

Physical removal of a tenant either by law or force.

EVICTION (CONSTRUCTIVE)

The landlord or his agents disturb the tenant, rendering the leased space unfit for the tenant's previous use.

EVICTION (PROCEEDING)

A legal proceeding by the landlord to remove a tenant.

EXCLUSIVE AGENCY

An agreement in which one agent has exclusive rights to represent the owner or tenant. If another agent is used, both the original and actual agent are entitled to leasing commissions.

FACADE

The front face of a building.

FIDUCIARY

A person who represents another on financial/property matters.

FORECLOSURE

The legal action to repossess a property — which a mortgagee takes, if you (as mortgagor) were to default on your payments.

FREEHOLD

Any property you own outright, and for unlimited duration.

FIXTURES

Personal property so attached to the land or building (eg: improvements). They are considered part of the real property.

GRACE PERIOD

Additional time allowed to complete an action (eg: make a payment) before a default or violation occurs.

GROSS LEASE

A lease of property whereby the landlord (ie: the lessor) pays for all property charges usually included in ownership. These charges can include utilities, taxes, and maintenance, among others.

HEAD ROOM

The distance from floor to ceiling.

HEAVY INDUSTRY

A zoning term covering noisy, smelly or otherwise unattractive industries.

HECTARE

The metric measurement of land area equal to 10,000 square metres, or 2.47 acres.

HIGH RISE

A building over three or four storeys, usually requiring a lift.
It is an indefinite term. For Offices: a building over 30 storeys.

HEIGHT DENSITY

Another zoning regulation limiting the height of buildings in a particular area.



HOLDOVER TENANT

A tenant who remains in possession of leased property after the lease term expiration.

INCOMPETENT

An individual who is unable to handle his own affairs by reason of some medical condition (eg: insanity, Alzheimer's).

INSTRUMENT

A written legal document created to secure the rights of the parties participating in the agreement.

INDUSTRIAL OR BUSINESS PARK

A considerable development over a large area tailored to the specific requirements of Industry or Businesses.

INSURABLE INTEREST

As soon as you sign a contract to buy a property, you have an insurable interest and need to take out a Cover Note it.

INTEREST-ONLY LOAN

This is where you only pay interest over the term of the loan; but not to amortize the principal, repaying it as a lump sum at the end.

INTERIM DEVELOPMENT ORDER

Enables a planning authority to control development of an area before the final planning scheme is gazetted.

INVESTMENT RETURN

The rate of return on investment per year, produced by rental and resale.

IRREVOCABLE

Cannot be undone. Incapable of being altered, changed, or recalled.

JOINT TENANCY

Ownership of real property by two or more individuals, each of whom has an undivided interest with the right of survivorship.

JOINT VENTURE

Where two or more people (or companies) combine for an Investment or Project.

JUDGEMENT

A formal decision issued by a court relating to the specific claims and rights of the parties to an act or suit.



LANDLORD

One who rents property to a tenant.

LEASE

A contract whereby the landlord grants the tenant the right to occupy defined space for a set period, at a specific price (ie: rental).

LEASE WITH OPTION TO PURCHASE

A lease embodying the right of the lessee to buy the property at an agreed price, within an agreed time.

LEASEHOLD

The estate or interest a tenant has as stated in the tenant's lease.

LEVERAGE

This is when you contribute a low amount of capital (equity) into a property, and borrowing the balance to achieve increased return on that capital.

LESSEE

An individual or company (ie: tenant) to whom property is rented under a lease.

LESSOR

An individual or company (ie: landlord) who rents property to a tenant via a lease.

LETTER OF INTENT

An informal, usually non-binding, agreement among parties indicating their serious desire to move forward with negotiations.

LISTING

An employment contract between principal and agent that authorises the agent (such as a broker) to perform services for the principal and his property.

LOSS FACTOR

What percentage of the gross area of a space is lost due to walls, elevator, etc.
Rule of thumb for officers is approximately 15%.

MAINTENANCE

The expenditure required to keep a property in its proper operating condition.

MANAGING AGENT

A real estate agent authorised by you to manage your property.

MANDATORY

A requirement that must be conformed to, as specified in any written document.

MARKET PRICE

The actual selling or leasing price of a property.

MARKET VALUE

The expected price that a property should bring if exposed for lease in the open market for a reasonable period of time, and with market savvy landlords and tenants.

MEZZANINE

An intermediary floor, usually between the ground and 1st floors.



MORTGAGE

A document pledging the property as security, for your ultimate repayment of the money you borrow against that property.

MORTGAGEE

The lender on the mortgage.

MORTGAGEE IN POSSESSION

The mortgagee gets a court order to take possession of the property, usually after the mortgagor defaults.

MORTGAGOR

The actual borrower, under the loan agreement.

MEETING OF THE MINDS

When all individuals to a contract agree to the substance and terms of that contract.

MINOR

A person under a legal age, usually under 18 years old.

NET LEASE

Also called triple net lease. The lessee pays not only a fixed rental charge but also expenses on the rented property, including maintenance.

NET RENTAL

The monthly payment made by your tenant, not including outgoings.

NET FACE RENTAL

Net rental stated in the lease, before allowing for any incentives (such as a rent-free period).

NOTICE TO QUIT

Under strict conditions, this enables a landlord or tenant to terminate a tenancy — without the agreement of the other party.

NON-DISTURBANCE AGREEMENT

The tenant signs this to prevent himself from being evicted if the property owner does not pay its mortgage to the bank.

NOTARY PUBLIC

A public officer who is authorised to witness and verify certain documents (eg: contracts, deeds, mortgages). Also, an affidavit may be sworn before this public officer.

OPEN LISTING

A listing given to any broker without liability to compensate any broker except the one who first secures a buyer — who is ready, willing, and able to meet the terms of the listing, or secures the acceptance by the landlord of a satisfactory offer; the lease of the property automatically terminates the listing.

OPTION (1)

A right given to purchase or lease a property upon specified terms within a specified time. If the right is not exercised, the option holder is not subject to liability for damages. If the holder of the option exercises it, the grantor of option must perform the option's requirements.

OPTION (2)

When Buying: The right (secured by a payment) to purchase a property at an agreed price on or before an agreed date. In a Leases: The tenant's right to renew, at a rent to be mutually agreed .

OUTGOINGS

All operating expenses on a property.

PASSED IN

When a property fails to reach the vendor's reserve price at auction. (The highest bidder has the right to meet the reserve price, or try to negotiate an acceptable price).

PASSING RENTAL

Actual Net Rental you receive at the time of purchasing a property.

PERCENTAGE LEASE

A lease of property in which the rent is based upon the percentage of the sales volume made on the specific premises. There is usually a clause for a minimum rent as well.

PERSONAL PROPERTY

Any property which is not real property. Examples include furniture, clothing, and artwork.

PEPPERCORN RENT

Historically a rent of one peppercorn a year. In reality, a method by which a landlord can let a property for virtually nothing, but retain all ownership rights.

PLOT RATIO

The ratio of building area to site area.

POWER OF ATTORNEY

A written instrument duly signed and executed by an individual which authorises an agent to act on his behalf to the extent indicated in the document.



PRINCIPAL

The employer (eg: landlord or vendor) of an agent. This is the agent's client.

PROPERTY MANAGEMENT

A real estate agent manages properties for landlords making sure the property complies with legislation & regulations at all times, selects tenants, collects rents, arranges maintenance and so on.

PROPERTY WEALTH

The difference between the market value of your properties and the amount of money you owe on them.

PUBLIC LIABILITY

The insurance taken by companies and private individuals to protect themselves against claims made by members of the public, who might be injured in some way while on the property.

QUANTITY SURVEYOR

A professional who calculates the quantity and cost of materials required for a construction. And also helps you to compile your depreciation schedule.

RATEABLE VALUE

The estimated value of a property on which rates are assessed.

REAL PROPERTY

The ownership of physical real estate ... ie: land and buildings.

REDEVELOPMENT

The updating of urban property — usually by demolition and rebuilding.

REGIONAL SHOPPING CENTRE

A drive-in development with department stores, supermarkets and numerous specialty shops — which have been progressively replacing suburban shops.

RESERVE PRICE

The lowest price at which a vendor is prepared to sell a property at auction.

REZONING

A planning term whereby the local authority can alter a planning scheme to allow, say, Offices instead of an Industrial use.

SALE AND LEASE BACK

This is where an investor buys a property, and leases it back to the vendor — a practice that is on the increase.

SITE VALUE

The amount an unencumbered piece of land, less any improvements, is likely to realise at the time of a Municipal valuation (ie: the land component of a developed property).

SPECULATOR

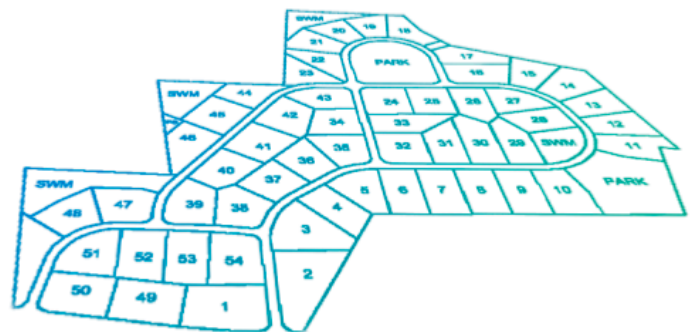
A “punter” who buys property in the expectation of selling it quickly, for a higher price.

STRATA TITLE

The title for a segment of a property (Office, Shop or Warehouse) that has several individual owners. (Nowadays, a separate Torrens Title is issued, and an Owners Corporation created to look after the Common Property).

SUB-DIVISION

The division of a piece of land into separate allotments (or building into separate titles) generally requiring approval from several different authorities.



SUB-LEASE

A property that is already leased to one person ... is leased again by that person to someone else — but not for a longer period than the unexpired portion of the original lease.

SURVEY

The accurate measurement and description of a piece of land (or building), usually showing height levels and structures.

SYNDICATE

A group of Investors (which can be individuals or corporations) who come together to invest in a “project” requiring more capital than each one has individually.

SUB-AGENT

An agent of an individual already acting as an agent of a principal.

SUBLETTING

The leasing of space from one tenant to another tenant.

SURRENDER

The cancellation of a lease by mutual consent of the tenant and the landlord.

TENANCY AT WILL

A license to occupy or use lands and buildings at the will of the landlord.

TENANCY BY THE ENTIRETY

An estate which exists only between husband and wife. Each has equal right of enjoyment and possession during their joint lives, and each has the right of survivorship.

TENANT IMPROVEMENTS

Work done on the interior of a space, can be paid for by landlord, tenant (or some combination of both) depending on the terms of the lease.

TENANCY IN COMMON

Ownership of property by two or more individuals, each of whom has an undivided interest, without the right of survivorship.

TITLE DEEDS

The documents proving ownership to a property.

TORRENS TITLE

Named after Sir Robert Torrens of South Australia, who put the scheme of registering property titles with governments into effect. It is now used in many parts of the world — taking the place of the earlier General Law or Common Law titles.

UNIMPROVED CAPITAL VALUE

The value of a piece of unencumbered land without improvements.

UNREGISTERED MORTGAGE

A mortgage, which is not registered on the title of your property.

URBAN RENEWAL

Redevelopment, usually in the more neglected parts of a city.

VALUATION

Estimated price, value, or worth. Also, the act of identifying a property's worth via an appraisal.



VARIANCE

Government authorisation to use or develop a property in a manner which is not permitted by the applicable zoning regulations.

VENDOR TERMS CONTRACT

When a property is paid for over time — usually by way of a deposit and then, regular payments of the balance (plus interest) over several years.

WITHOUT PREJUDICE

These words (when used during a negotiation or legal settlement) mean that any suggestion or plan put forward ... cannot be used as evidence later, if the negotiations fall down.

YIELD

The money you derive by way of income (or profit) from an investment property.

ZONING

The method by which councils or planning authorities control how your property may be used.

Hopefully, you'll be able to refer back to these simple definitions of Common Terms used by Investors ... whenever the need arises.

Would you like more [in-depth guidance](#) on how to go about investing in Commercial property? And feel free to call (on 0425 791 254) if you have any queries.

Best wishes ...

