

GLOSSARY OF REAL ESTATE TERMS

TERM	DEFINITION
Base Rent	The minimum monthly rent due under the lease - usually computed on a per- square-foot-per-year basis.
Base Year	First year of the lease.
Build-Out	Refers to the interior construction of a tenant's space whether new construction or the reconfiguration of existing space.
Commission	The fee paid to a real estate broker for his or her services rendered in a real estate transaction.
Common Area Maintenance (CAM)	An additional, annual charge often assessed to tenants for maintenance of the property's "common area". Includes interior items; entryways, hallways or bathrooms, and exterior items; parking areas, grounds and exterior painting.
Cost of Living Increases	Increase to base rent tied to increases in US Department of Labor Consumer Price Index (CPI).
Consumer Price Index (CPI)	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.
Effective Rent	Equals contract rent less free rent and any cash allowances such as a lease buyout or moving allowance. Escalations written into the lease are included in the calculation of effective rent. Tenant improvement allowances and brokerage commissions are not subtracted from the contract rate in calculating effective rent.
Escalation	Leases often include escalations or stepped increases in rent to be paid by the tenant to the landlord at a specified future date. This can be annually, for example, year five of a 10-year lease, or set to an index such as CPI.
Full Service Lease	Lease type in which landlord pays all expenses including taxes, utilities, janitorial, etc. in the base rent. Tenant pays increases in operating expenses over the base year.
Gross Square Feet	Usually refers to gross area of a building by measuring from the outside of its exterior walls and including all vertical penetrations, such as elevator shafts. Also includes basement space.
HVAC	Acronym for heating, ventilation and air conditioning.
Industrial Gross (IG) Lease	Lease type in which tenant pays most but not all operating expenses in the base rate. In addition to base rent, tenant pays utilities, common area maintenance, and often the increase in property taxes and insurance over base year.
Industrial Space	Space in buildings zoned for industrial uses. Not available for office use unless a change of use permit is filled and approved by the planning department.
Lease	Type of legal agreement establishing a property owner-tenant relationship.

Lease Commencement Date	Date upon which the lease commences and the obligations of the parties begin (see also "rent commencement date").
Lease Term	Length of the lease.
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 term of the lease.
Lessee	Tenant.
Lessor	Rental property owner or landlord.
Load Factor	The amount of square footage in a lease, in addition to a tenant's usable square footage, which represents tenant's pro rata share of the building's common area/s. May also be referred to as a percentage of building's rentable square feet.
Office Space Category	Office space is loosely categorized based on the quality of construction, features and the status of location: <ul style="list-style-type: none"> • Class A. Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence. • Class B. Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate, but the building cannot compete with Class A at the same price. • Class C. Buildings competing for tenants requiring functional space at rents below the area average.
Operating Expenses	Costs associated with income producing property usually before interest and income tax expense, but including property taxes, insurance, repairs and maintenance, replacement reserves.
Pass-Through Expense	An expense associated with tenancy in which landlord "passes through" to tenant certain increases in building operating expenses occurring after a base year in the lease.
Permitted Uses	Check with City to see what's allowed at the location.
Quotas	A zoning system overseen by the City of Berkeley where only a specific number of certain uses are permitted in the district at any one time, and some of these uses are also subject to square footage limits. Quotas are in effect in the Elmwood, Telegraph Avenue and Solano Avenue areas.
Real Property Taxes	Taxes due on building and structural components.
Renewal Option	Lease language that provides the means for tenant to give landlord notice of its intent to renew (extend) the lease.
Rent Basis	Designates what operating expenses are included and excluded in the

	<p>rent. The most common rent bases are:</p> <ul style="list-style-type: none"> • Full Service: All costs of operation are paid by the landlord up to a base year. Tenant pays increases in operating expenses over the base year. • Triple Net (NNN): All costs of operation including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis. • Modified Gross (MG): any arrangement whereby the tenant pays one or more of the expenses covered by the landlord in a Full Service lease, but not all of the expenses as in a Triple Net lease. Modified Gross leases cover a range of lease types and terminologies used in various markets around the nation. Some of the more common are Industrial Gross, Single Net and Double Net. The definitions of these bases vary from market to market depending on the expenses they include or exclude. • Net of Electric: A popular form of Modified Gross, this is like a Full Service lease, but the tenant pays for his or her electric charges either to the utility company (according to a meter) or to the landlord on a pro rata basis.
Rent Commencement Date	Date upon which the rent and usually the term of the lease begins. May be different from the lease commencement date when certain obligations must be fulfilled such as the construction of tenant improvements.
Rentable Area	Denotes the number of square feet in a commercial building deemed to be rentable. May include a common area load factor or allowance for building amenities such as hallways and lavatories.
Retail	Space generally reserved for retail use. May also be available for office use.
Security Deposit	Deposit of money by a tenant with a landlord to secure performance of a lease. Generally equal to one month of rent.
Setback	Zoning requirement that requires a building or an improvement to be set back a certain number of feet from the property line.
Sublease	Sublease space is offered on the market by the current tenant for sublease, regardless of whether the space is occupied or vacant. Often a sublease tenant is subject to landlord approval.
Triple Net (NNN)	Lease type in which the lessee pays for its share of the property's taxes, insurance, common area maintenance, and their own operating expenses.