



# *People's Choice Mortgage*

----- *Commercial Lending* -----

(800) 637-7737

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- A -

**ACREAGE** – a 2 dimensional measure of land equaling 160 square rods, 10 square chains, 4,840 square yards, or 43,560 square feet.

**ADJUSTABLE RATE MORTGAGE** – a mortgage with an interest rate that changes periodically, according to an index that is selected when the mortgage is issued. The initial interest rate is lower than that of fixed-rate mortgages, but monthly payments can go up or down as the rate is adjusted.

**ADJUSTMENT INTERVAL** – the period of time between changes in the interest rate for an adjustable-rate mortgage. Typical adjustment intervals are 6 months and one year.

**AMENITIES** – in appraisal, the non-monetary benefits derived from property ownership.

**AMORTIZATION PERIOD** – the period or length of time over which the principal portion of a mortgage loan is scheduled to be paid down through periodic payments.

**ANCHORED** – refers to a piece of commercial real estate property, which will serve as the main tenant in a shopping center.

**ANCHORS** – a long term, credit worthy tenant. The presence for one or more "anchors" enhances the value and the ability to obtain financing for a shopping center.

**APPRAISAL** – an estimate of the value of a property, made by a qualified professional called an appraiser.

**ASSISTED LIVING** – type of senior housing that is typified by independent living and limited assistance to its renters.

**ASSUMABILITY** – a mortgage loan which can be transferred to another person without a change in the terms of the loan.

**AVAILABLE SF** – the square feet available for lease.

**AVERAGE ANNUAL OCCUPANCY** – percentage of currently rented units in a building, city, neighborhood or complex.

**AVERAGE DAILY RATE** – a hotel rate used to evaluate the average daily rate of a hotel inclusive of vacancy and seasonality.

**- B -**

**BALLOON PAYMENT** – one large payment for the remaining principal balance of a mortgage, due at a time specified in the contract.

**BASIS POINT (BP)** – 1/100th of 1% expressed as a margin over an index rate.

**BORROWING ENTITY TYPE** – the legal form under which property is owned.

**BRIDGE/SHORT TERM LOAN** – a short-term or interim loan for borrowers who need more time to find permanent financing or are repositioning a commercial property.

**BUILDING PERMIT** – a document, issued by government regulatory authority that allows a builder to construct or modify a structure.

**BUILDING SF** – the usable square footage of the building.

**- C -**

**CAP** – the maximum, which an adjustable-rate mortgage may increase, regardless of index changes. An interest rate cap limits the amount the interest can change, while a payment cap limits the increase in monthly payment to a specific dollar amount.

**CAPITAL EXPENDITURES** – line items on a profit and loss statement that would not be expensed on an annual basis. This category would include replacement of major building systems, such as roofs, etc.

**CAPITALIZATION RATE** – the ratio of the first year NOI to the asking price (NOI/Asking price). Not the rate of return.

**CARVE OUT** – the definition used for the inclusion of recourse in loan documents for fraud and misrepresentation.

**CASH-OUT REFINANCING** – when the principal amount of a new mortgage involved in refinancing is greater than the principal amount outstanding of the existing mortgage being refinanced, and all or a portion of the equity is converted to cash.

**CENTRAL BUSINESS DISTRICT (CBD)** – the downtown section of a city, generally consisting of retail, office, hotel, entertainment, and government land uses with some high-density housing.

**CLEARANCE** – the distance between the building's floor and effective storage ceiling.

**CLIMATE CONTROLLED** – an industrial and self-storage term that represents temperature controlled commercial space.

**CLOSING** – the meeting between the buyer, seller and lender (or their agents) where the property and funds legally change hands.

**CLOSING COSTS** – the costs and fees associated with the official change in ownership of

the property and with obtaining the mortgage, that is assessed at the closing.

**CMBS (Commercial Mortgage Backed Security)** – a bond or other financial obligation secured by a pool of mortgage loans.

**COFI (Cost of Funds Index)** – index used to determine interest rate changes for adjustable rate mortgages. It is based on the cost of funds of the 11th District of the Federal Home Loan Bank.

**COMMERCIAL LAND** – development and transitional land acquired for investment use: land for lots, site selection and assemblage of parcels.

**COMPARATIVE MARKET ANALYSIS** – an estimate of the value of a property based on an analysis of sales of properties with similar characteristics.

**CONDUIT** – the financial intermediary that sponsors the conduit between the lender(s) originating loans and the ultimate investor. The conduit makes or purchases loans from third party correspondents under standardized terms, underwriting and documents and then, when sufficient volume has been obtained, pools the loans for sale to investors in the CMBS market.

**CONGREGATE CARE** – a type of senior housing that typified by a central eating facility, smaller rooms, and a higher level of care for its tenants.

**CONSTANT MATURITY TREASURE (CMT)** – an index based on the U.S. Treasury that is used in the pricing of debt for banks.

**CONSTRUCTION LOAN** – a short term loan to pay for the construction of commercial buildings. These loans typically provide periodic disbursements to the builder as each stage of the building is completed. When construction is completed a take-out or permanent loan is used to pay off the construction loan.

**CONSTRUCTION TYPE** – the type of construction used for a commercial building, (i.e. concrete tilt-up, etc.).

**CONTINGENCY** – an element of an agreement that must be satisfied before the total agreement can be consummated.

**COUPON** – the coupon on U.S. Government securities expressed as an annual percentage of face value, is the interest rate the U.S. Government promises to pay to the holder on an ongoing basis until maturity.

**CREDIT TENANT** – a tenant, who has obtained a debt rating by S&P or Moody's of "BBB-" or better.

**CREDIT TENANT NET LEASE** – a lease with a tenant that has a credit rating of BBB- or better.

**- D -**

**DEBT SERVICE** – the periodic payments (principal and interest) made on a loan.

**DEBT SERVICE COVERAGE RATIO (or DEBT COVERAGE RATIO)** – measures a mortgaged property’s ability to cover monthly payments defined as the ratio of net operating income over the periodic payments (principal and interest) made on a loan. A DSCR of less than 1.0 means that there is insufficient cash flow generated by the property to cover required debt payments.

**DEFEASANCE** – a clause in a mortgage that gives the borrower the right to prepay a commercial mortgage by purchasing US Treasuries in an escrow account to pay off ongoing debt service.

**DENSITY** – the number of buildings or persons occupying a certain area of land, generally an acre.

**DEPRECIATION (ACCOUNTING)** – allocating the cost of an asset over its estimated useful life.

**DEPRECIATION (APPRAISAL)** – a charge against the reproduction cost (new) of an asset for the estimated wear and obsolescence. Depreciation may be physical, functional or environmental.

**DISCOUNT RATE** – the rate of interest that the Federal Reserve charges member banks for loans.

**DISTRIBUTION WAREHOUSE** – (also called Light Industrial) Generally the least intense industrial use. Office use is limited to management tasks for the distribution or warehouse facility, or about 15 percent of total space.

**DOCK HIGH** – existence and/or number of dock level doors.

**DOUBLE-WIDE** – a mobile home consisting of two units which have been fastened together along their length.

**DUE DILIGENCE** – the legal definition: a measure of prudence, activity or assiduity, as is properly to be expected from, and ordinarily exercised by, a reasonable and prudent person under the particular circumstances. In CMBS due diligence is the foundation of the process because of the reliance securities investors must place on the specific expertise of the professionals involved in the transaction.

**- E -**

**EFFECTIVE GROSS INCOME** – gross income of a building if fully rented, less an allowance for estimated vacancies.

**ENGINEERING REPORT** – report generated by an architect or engineer describing the current physical condition of the property and its major building systems, i.e., HVAC, parking lot, roof, etc. The report also determines an amount for calculating replacement reserves, if needed.

**ENTITLEMENTS** – a right to benefits specified especially by law or contract.

**ENVIRONMENTAL REPORT** – report generated by qualified environmental firms to determine potential environmental hazards in a building’s region or within the building itself.

**ENVIRONMENTAL RISK** – risk of loss of collateral value and of lender liability due to the presence of hazardous materials, such as asbestos, PCB's, radon or leaking underground storage tanks (LUSTS) on a property.

**EQUITY** – the difference between the fair market value and current indebtedness, also referred to as "owner's interest."

**EQUITY LOAN** – a loan for an equity position which represents an ownership position in a property or a loan for the participation in the profits of the commercial property

**ESCROW** – 1. A special account set up by the lender in which money is held to pay for taxes and insurance. 2. A third party who carries out the instructions of both the buyer and seller to handle the paperwork at the settlement.

**EURODOLLAR** – U.S. dollar denominated deposits at commercial banks outside of the United States.

**EXTENDED STAY** – a hotel that caters to a business traveler on an extended lodging period.

**- F -**

**FAIR MARKET VALUE** – an appraisal term for the price which a property would bring in a competitive market, given a willing seller and willing buyer, each having a reasonable knowledge of all pertinent facts, with neither being under any compulsion to buy or sell.

**FARM** – land used for agricultural purposes for crop and livestock farming.

**FEDERAL FUNDS (FED FUNDS)** – Fed Funds is the interest rate charged by those banks with excess reserves on hand (reserves over and above the minimum required by the Federal Reserve) to those banks in need of overnight loans to meet reserve requirements. Since it is set daily, the Federal Funds rate is the most sensitive indicator of the direction of interest rates.

**FIT-OUT** – tenant improvements within a commercial property.

**FIXED-RATE MORTGAGE** – a mortgage with an interest rate that remains constant for the life of the loan.

**FIXTURES** – personal property which for some reason, such as the manner of attachment, has become realty. Such property is also referred to as chattel real.

**FLEX SPACE** – an industrial property, which has both an office and an industrial component.

**FLOOR-TO-AREA RATIO (FAR)** – the relationship between the total amount of floor space in a multi-story building and the base of that building. FAR's are dictated by zoning laws, in effect, stipulate the maximum number of stories a building may have.

**FORECLOSURE** – the process by which a lender takes back a property on which the mortgagee has defaulted. A servicer may take over a property from a borrower on behalf of a lender. A property usually goes into the process of foreclosure if payments are more than 90 days past due.

**FOUNDATION** – the concrete slab beneath the property, which holds the property in place.

**FRANCHISE** – a business arrangement undertaken for the purpose of marketing a product or service. One party (the franchiser) provides marketing and selling expertise for a fee to another party (the franchisee) who in turn sells the product or service in the marketplace.

**FRANCHISE FEES** – the fee is usually an initial purchase requirement plus an ongoing percentage of gross sales of the business.

**FREESTANDING RETAIL** – a building which contains only one retail business. Fast-food franchises and retail stores are often freestanding buildings.

**FREESTANDING** – one commercial building meant to be occupied by a single user.

**FULL SERVICE** – a hotel definition that represents services provided to its guests outside of lodging (i.e. room service, concierge services, and restaurant).

**- G -**

**GENERAL BUSINESS** – includes all of business assets and equipment, may include property or land.

**GENERAL PARTNERSHIP** – in a partnership, a partner whose liability is not limited. All partners in an ordinary partnership are general partners. A limited partnership must have at least one general partner.

**GOOD FAITH DEPOSIT** – a deposit made by a purchaser of real estate to evidence an honesty.

**GOVERNMENT SUBSIDIZED** – rents that are partly paid by the government (e.g. Section 8 residential subsidies).

**GRADE LEVEL DOOR** – a door at the ground level at the foundation.

**GROUND LEVEL** – existence and/or number of ground level doors.

**- H -**

**HIGH RISE OFFICE** – a commonly used expression referring to an office building, that is high enough to require an elevator

**- I -**

**INDEX** – an economic indicator, usually a published interest rate.

**INDUSTRIAL** – property used for industrial purposes, such as factories.

**INDUSTRIAL FOR LEASE** – industrial space available.

**INTEREST** – the sum paid for borrowing money, which pays the lender's costs of doing business.

**INTEREST RATE** – the sum charged for borrowing money, expressed as a percentage

**INTEREST RATE CAP** – limits the interest rate or the interest rate adjustment to a specified maximum. This protects the borrower from increasing interest rates.

**- J -**

**JOINT VENTURE** – an agreement by two or more individuals or entities to engage in a single project or undertaking. Joint ventures are used in real estate development as a means of raising capital and spreading risk. For all practical purposes a joint venture is similar to a general partnership. However, once the purpose of the joint venture has been accomplished, the entity ceases to exist.

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**- L -**

**LEASE ASSIGNMENT** – an agreement between the commercial property owner and the lender that assigns lease payments directly to the lender.

**LEASE TYPE** – Gross, Triple Net (NNN), Net Net (NN), Hybrid, etc.

**LEASEHOLD IMPROVEMENTS** – the cost of improvements for a leased property, often paid by the tenant.

**LEASING COMMISSIONS** – an amount earned by a real estate broker or leasing agent for his services.

**LESSEE** – tenant in a building.

**LIBOR (London Interbank Offered Rate)** – the rate that the most creditworthy international banks dealing in Eurodollars charge each other for large loans. Rates are quoted in monthly increments out to 1 year.

**LIMITED LIABILITY COMPANY (LLC)** – the restriction of one's potential losses to the amount invested. The absence of personal liability. Provided to stockholders in a corporation and limited partners of a limited partnership.

**LIMITED PARTNERSHIP** – one in which there is at least one partner who is passive and limits liability to the amount invested, and at least one partner whose liability extends beyond monetary investment.

**LIMITED SERVICE** – a hotel that offers lodging services only.

**LOAN PROCESSING FEE** – the fee charged by a lender, to prepare all the documents associated with your mortgage.

**LOAN-TO-VALUE RATIO (LTV)** – the ratio between the principal amount of the mortgage balance, at origination or thereafter, to the current value of the underlying real estate collateral. The ratio is commonly expressed to a potential borrower as the percentage of value a lending institution is willing to finance. The ratio is dynamic, and varies by lending institution, property type, geographic location, property size, etc.

**LOCK-OUT PERIOD** – a period of time after loan origination during which a borrower

cannot prepay the mortgage loan.

**LOT SIZE** – total square footage of the land.

**LOW-RISE OFFICE** – a commonly used expression referring to an office building that is too low to require an elevator.

**- M -**

**MALL** – (also called Super Regional Center) an enclosed shopping center with three or more major department stores which draws from a large trade area of 12 or more miles.

**MANAGEMENT FEE** – the agreed-upon compensation paid to a property management company for managing a real estate project. The fee is usually based on a percentage of effective gross income.

**MANUFACTURING** – (also called Heavy Industrial) auto making, textiles, steel, chemicals, and food processing are typical uses of such properties. Typically zero to five percent office space.

**MARGIN** – the amount that is added to an index rate to determine the total interest rate.

**MARKETING EXPENSES** – expenses accrued to market commercial properties.

**MAT** – Monthly Average Treasury

**MATURITY** – 1. The termination period of a note (e.g., a 25-year mortgage has maturity of 25 years.) 2. In sales law, the date a note becomes due.

**MAX CONTIGUOUS SF** – the amount of available connected square feet.

**MAX LEASE RATE** – the highest asking lease rate.

**MEDICAL OFFICE** – an office space which offers medical services.

**MEZZANINE/SECOND LOAN** – a loan secured by a mortgage or trust deed, in which the lien is junior, or secondary, to another mortgage or trust deed.

**MID-RISE** – a commonly used expression referring to an office building, that is high enough to require stairs, but too low to require an elevator.

**MILITARY CLAUSE** – a clause included in a lease of residential property, which allows the tenant to terminate the lease without penalty if and when the tenant is transferred to another location.

**MIN LEASE RATE** – the lowest lease rate available.

**MIN. DIVISIBLE SF** – the smallest amount of available square feet.

**MIXED USE** – a real estate development that contains two or more different uses all intended to be harmonious and complementary. An example would include a high-rise building with retail shops on the first two floors, office space on floors three through ten, apartments on the

next ten floors, and a restaurant on the top floor.

**MOBILE HOME PARK** – a parcel of land zoned and developed for use by occupants of mobile homes.

**MONEY MARKET** – the market for short-term debt instruments.

**MULTI-FAMILY PROPERTY CLASS A** – properties are above average in terms of design, construction and finish; command the highest rental rates; have a superior location, in terms of desirability and/or accessibility; generally are professionally managed by national or large regional management companies.

**MULTI-FAMILY PROPERTY CLASS B** – properties frequently do not possess design and finish reflective of current standards and preferences; construction is adequate; command average rental rates; generally are well maintained by national or regional management companies; unit sizes are usually larger than current standards.

**MULTI-FAMILY PROPERTY CLASS C** – properties provide functional housing; exhibit some level of deferred maintenance; command below average rental rates; usually located in less desirable areas; generally managed by smaller, local property management companies; tenants provide a less stable income stream to property owners than Class A and B tenants.

- N -

**NEIGHBORHOOD CENTER** – (including Community Center) a shopping center anchored by a supermarket and/or drugstore, that provides convenience goods and services to a neighborhood. It is usually between 30,000 – 100,000 square feet, and draws from a one to three mile radius.

**NET EFFECTIVE RENT** – rental rate adjusted for lease concessions.

**NET OPERATING INCOME (NOI)** – total income less operating expenses, adjustments, etc., but before mortgage payments, tenant improvements and leasing commissions.

**NET-NET LEASE (NN)** – usually requires the tenant to pay for property taxes and insurance in addition to the rent.

**NON-RECOURSE** – a mortgage or deed of trust securing a note without recourse allows the lender to look only to the security (property) for repayment in the event of default, and not personally to the borrower. A loan not allowing for a deficiency judgment. The lender's only recourse in the event of default is the security (property) and the borrower is not personally liable.

**NOTICE OF DEFAULT (NOD)** – to initiate a non-judicial foreclosure proceeding involving a public sale of the real property securing the deed of trust. The trustee under the deed of trust records a Notice of Default and Election to Sell ("NOD") the real property collateral in the public records.

- O -

**OFFICE** – a structure used primarily for the carrying on of business.

**100% PRIVATE PAY** – assisted living designation where senior housing residents pay 100%

of the rent versus by welfare or government subsidies.

**OPERATING EXPENSE** – periodic expenses necessary to the operation and maintenance of an enterprise (e.g., taxes, salaries, insurance, maintenance). Often used as a basis for rent increases.

**ORIGINATION** – securing a completed mortgage application from a commercial or residential borrower.

**- P -**

**PERCENTAGE LEASE** – commonly used for large retail stores. Rent payments include a minimum or "base rent" plus a percentage of the gross sales "overage." Percentages generally vary from 1% to 6% of the gross sales depending on the type of store and sales volume.

**PHASE I** – an assessment and report prepared by a professional environmental consultant who reviews the property – both land and improvements – to ascertain the presence or potential presence of environmental hazards at the property, such as underground water contamination, PCB's, abandoned disposal of paints and other chemicals, asbestos and a wide range of other potentially damaging materials. This Environmental Site Assessment (ESA) provides a review and makes a recommendation as to whether further investigation is warranted (a Phase II Environmental Site Assessment). This latter report would confirm or disavow the presence of an environmental hazard and, should one be found, will recommend additional review and/or mitigation efforts that should be undertaken.

**POINTS (LOAN DISCOUNT POINTS)** – each point is equal to 1% of the total amount of a mortgage.

**POTENTIAL GROSS RENT** – gross income of a building if fully rented.

**PRE-LEASED %** – to obtain lease commitments in a building or complex prior to its being available for occupancy.

**PREPAYMENT PENALTY** – fees paid by borrowers for the privilege of retiring a loan early.

**PRIME RATE** – the rate at which banks lend to their most creditworthy customers.

**PRINCIPAL** – 1. The amount of debt, not including interest, left on a loan. 2. The face amount of the mortgage.

**PRO FORMA** – (from Latin pro forma, "according to form"). financial statements showing what is expected to occur.

**PROPERTY ADMINISTRATOR** – person in broker's employ who is responsible for updating and renewing a property listing, if it is different from the contact name.

**PROPERTY GRADE** – a stratification of property type that is indicative of the property's ability to command rental rates.

**PROPERTY SUBTYPE** – a property description that provides additional information to the lender.

**PROPERTY TAX** – taxes based on the market value of a property. Property taxes vary from state to state.

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**- R -**

**R & D** – these facilities are generally used in high technology markets and are broadly defined to include wide variations in markets across the country. R & D properties could have lab facilities, offices, warehouse facilities, or services such as carpentry or machine repair. Typically, each property allows a variable combination of office and other uses. The percentage of office space ranges from 20 to 100 percent, depending on the market and individual needs of the user.

**RAIL SERVED** – whether the building is served by railroad.

**RANCH** – land devoted to raising livestock under range conditions with forage grass as main source of feed.

**RATE INDEX** – an index used to adjust the interest rate of an adjustable mortgage loan (e.g., the change in U.S. Treasury securities (T-Bills) with 1-year maturity. The weekly average yield on said securities, adjusted to a constant maturity of 1 year, which is the result of weekly sales, may be obtained weekly from the Federal Reserve Statistical Release H.15 (519). This change in interest rates is the "index" for the change in a specific Adjustable Mortgage Loan).

**RECOURSE** – personal liability.

**RECREATIONAL LAND** – land devoted to commercial outdoor sporting activity and relaxation.

**REFINANCE** – to replace an old loan(s) with a new loan(s).

**REGIONAL CENTER** – a shopping center with one or two department stores and a variety of smaller stores. It is larger than 300,000 square feet and draws from an eight mile radius or more.

**RENT ROLL** – a list of tenants leasing a property, which details terms of lease, area leased, and the amount of rent being paid.

**RENT STEP-UP** – a lease agreement in which the rent increases every period for a fixed amount of time or for the life of the lease.

**RENTABLE SQUARE FEET** (same as Net Leasable Area) – in a building or project, floor space that may be rented to tenants. The area upon which rental payments are based. Generally excludes common areas and space devoted to the heating, cooling, and other equipment of a building.

**REPLACEMENT RESERVES** – an amount set aside from net operating income to pay for the eventual wearing out of short-lived assets. Monthly deposits that a lender may require a borrower to a reserve in an account, along with principal and interest payments for future

capital improvements of major building systems; i.e., HVAC, parking lot, carpets, roof, etc.

**RESERVE FUNDS** – in CMBS, portion of the bond proceeds that are retained to cover losses on the mortgage pool. A form of credit enhancement (also referred to as "reserve accounts").

**RETAIL** – a property type which sells goods to consumers.

**RV (REVERSIONARY VALUE)** – the value of property at the expiration of a certain time period. In transportation, recreational vehicle.

- S -

**SALES BROKER** – commercial real estate broker that represents client in the sale or purchase of commercial real estate property.

**SECOND MORTGAGE** – a mortgage that is second in priority because of the time of recording the mortgage or of the subordination of the mortgage.

**SECONDARY MORTGAGE MARKET** – the buying and selling of first mortgages or trust deeds by banks, insurance companies, government agencies, and other mortgagees. This enables lenders to keep an adequate supply of money for new loans. The mortgages may be sold at full value ("par") or above, but are usually sold at a discount. Not to be confused with a "second mortgage."

**SELF-STORAGE** – (also called Mini-Storage) provides personal storage for lease by consumers.

**SELF-AMORTIZING MORTGAGE** – one that will retire itself through regular principal and interest payments. Contrast with balloon mortgage or interest-only loan.

**SENIOR HOUSING** – (includes Assisted Living, Congregate Care, Senior Apartments and Skilled Nursing Centers) multi-residential property specifically designed for care of senior citizens and/or physically disabled persons.

**SHADOW ANCHORED** – a unanchored shopping center located near an anchored shopping center.

**SINGLE WIDE** – a mobile home consisting of one unit.

**SITE WORK** – the location or place of a plot of ground set aside for a particular type of land use.

**SKILLED NURSING** – a type of senior housing which offers on-site medical care.

**SOLE PROPRIETORSHIP** – ownership of a business, with no formal entity as a vehicle or structure.

**SPREAD** – number of basis points over a base rate index.

**SPRINKLER** – existence of fire suppression systems in the building.

**STABILIZED OPERATING PROPERTY** – the income generated on an annual basis from

the commercial property is stable, consistent and reliable.

**STRIP CENTER** – a string of stores in a commercial area, totaling less than 30,000 square feet, without central leasing, management, or theme.

**STRUCTURAL/ENGINEERING REPORT** – a property Condition Report that outlines the current structural stability or instability of a property. The report will outline immediate costs needed to repair the property, as well as a maintenance program to maintain the property at its current status.

**SUBURBAN** – describes a town or unincorporated developed area in a close proximity to a city. Suburbs, largely residential, are often dependent on the city for employment and support services; generally characterized by low-density development relative to the city.

**- T -**

**TAX & INSURANCE IMPOUND** – monthly deposits that a lender may require to be included with principal and interest payments for the payment of taxes and insurance.

**TENANT** – one who is given possession of real estate for a fixed period or at will.

**TENANT IMPROVEMENTS (TI)** – the expense to physically improve the property to attract new tenants to new or vacated space which may include new improvements or remodeling. May be paid by tenant, landlord, or both. Typically, tenants are provided with a market rate TI allowance (\$/sq. ft.) that the owner will contribute towards improvements. The tenant must pay for amounts above the TI allowance desired by the tenant.

**TERM** – the length of a mortgage.

**THIRD PARTY COSTS** – costs resulting from third party reports, whether it be appraisal reports, environmental reports or structural engineering reports.

**TIMBERLAND** – land used for production of forest stands for commercial use.

**TITLE** – the actual legal document conferring ownership of a piece of real estate.

**TITLE INSURANCE** – an insurance policy that insures you against errors in the title search – essentially guaranteeing your, and your lender's, financial interest in the property.

**TOTAL ANNUAL OPERATING INCOME** – total yearly income less operating expenses, adjustments, etc., but before mortgage payments, tenant improvements and leasing commissions.

**TOTAL ANNUAL ROOM INCOME** – a hotel definition that represent the gross annual receipts from room revenue.

**TRAFFIC COUNT** – the amount of incoming and outgoing traffic a retailer or self-storage building generates over a fixed period of time.

**TRIPLE-NET LEASE (NNN)** – a lease that requires the tenant to pay for property taxes,

insurance and maintenance in addition to the rent (also referred to as "Net Net Net Lease").

**TRIPLE-WIDE** – a mobile home consisting of three units which have been fastened together along their length.

- U -

**U.S. TREASURY BILL** – Treasury Bills, or T-Bills, are short term securities with maturities of up to one year. They are issued by the U.S. Government at a discount from face value. The price is quoted in yield, not dollars. At maturity, T-Bills are redeemed for full face value. T-bills are issued in three month, six month and 1 year maturities and are backed by the full faith and credit of the U.S. Government.

**U.S. TREASURY BOND** – Treasury Bonds are long-term securities with maturities greater than 10 years. Treasury bonds are coupon bearing securities that pay interest on a semiannual basis. Treasury bonds are backed by the full faith and credit of the U.S. Government.

**U.S. TREASURY NOTE** – Treasury Notes are intermediate term securities issued with 2, 3, 5, and 10 year maturities. Treasury notes are coupon bearing securities that pay interest on a semiannual basis. Treasury notes are backed by the full faith and credit of the U.S. Government.

**UNANCHORED** – a tenant in a shopping center, which doesn't have an anchored tenant.

**UNDERWRITING** – the process of deciding whether to make a loan based on property cash flow, credit, and/or other factors.

- V -

**VACANCY PERCENT** – the percentage of all units or space that is unoccupied or not rented. On a pro-forma income statement a projected vacancy rate is used to estimate the vacancy allowance, which is deducted from potential gross income to derive effective gross income.

**VACANCY** – unoccupied units as a percentage of the total number.

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- X -

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- Y -

**YIELD** – the rate of return on a security, taking into consideration annual interest payments, purchase price, redemption value, and the time remaining until maturity.

**YIELD MAINTENANCE** – a prepayment premium that allows investors to attain the same yield as if the borrower made all scheduled mortgage payments until maturity. Yield maintenance premiums are designed to make investors indifferent to prepayments and to make refinancing unattractive and uneconomical to borrowers.

**YIELD TO AVERAGE LIFE** – yield calculation used, in lieu of "Yield to Maturity" or "Yield to Call," where bonds are retired systematically during the life of the issue, as in the case of a "Sinking Fund," with contractual requirements. Because the issuer will buy its own bonds on the open market to satisfy its sinking fund requirements if the bonds are trading below Par, there is, to that extent, automatic price support for such bonds; they therefore tend to trade on a yield-to-average-life basis.

**YIELD TO MATURITY (YTM)** – concepts used to determine the rate of return an investor will receive if a long-term, interest-bearing investment, such as a bond, is held to its maturity date. It takes into account purchase price, redemption value, time to maturity, coupon yield and the time between interest payments. Recognizing time value of money, it is the discount rate at which the present value of all future payments would equal the present price of the bond (also referred to as "internal rate of return"). It is implicitly assumed that coupons are reinvested at the YTM rate. YTM can be approximated using a bond value table (also referred to as a "bond yield table") or can be determined using a programmable calculator equipped for bond mathematics calculations.

**- Z -**

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