

# Commercial Real Estate: Vocabulary for English learners



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**Absentee Landlord** - A property owner who does not live on or near the property and relies on a property manager to oversee its operation.

**Absorption** - The rate at which available commercial space is leased or purchased over a specific period of time.

**Amortization** - The gradual repayment of a commercial loan through a series of regular payments.

**Appraisal** - The process of estimating the value of a property for a specific purpose, such as for a mortgage or insurance purposes.

**Assessed Value** - The value assigned to a commercial property by a local government for tax purposes.

**Asset** - Anything of value that is owned by a commercial real estate investor.

**Asset Management** - The strategic management of a property portfolio to maximize its value and profitability.

**Balloon Payment** - A large payment that is due at the end of a commercial loan term, typically used to reduce monthly payments.

**Brokerage** - The process of buying, selling, or leasing commercial property through a licensed real estate broker.

**Building Automation System (BAS)** - A system that monitors and controls a building's HVAC, lighting, and other systems to improve efficiency and reduce costs.

**Building Class** - A classification system used to categorize commercial properties based on their age, location, and amenities.

**Building Code** - Regulations that dictate the design, construction, and maintenance standards for buildings in a given area.

**CAM (Common Area Maintenance) Charges** - Fees paid by tenants to cover the cost of maintaining common areas of a commercial property, such as parking lots or lobbies.

**Capital Expenditures (CapEx)** - Large expenses related to the acquisition or improvement of a property, such as roof repairs or HVAC upgrades.

**Capitalization Rate** - The rate of return on a property based on its income potential.

**Cash-on-Cash Return** - The amount of cash income generated by a commercial property as a percentage of the amount of cash invested.

**Certificate of Occupancy (CO)** - A document that certifies a building's compliance with local building codes and regulations.

**Commercial Lease** - A legal agreement that allows a tenant to use a commercial property in exchange for rent payments.

**Commercial Lease Agreement** - A legally binding contract between a landlord and tenant that outlines the terms of a commercial property lease.

**Concessions** - Incentives offered by landlords to entice commercial tenants, such as rent-free periods or discounted rent.

**Covenants, Conditions, and Restrictions (CC&Rs)** - A set of rules and regulations that govern the use of a property in a specific community or development.

**Debt Service Coverage Ratio** - A financial ratio used to evaluate the ability of a commercial property to generate enough income to cover its debt obligations.

**Deed** - A legal document that transfers ownership of a property from one party to another.

**Depreciation** - The decrease in value of a commercial property over time due to wear and tear, obsolescence, or other factors.

**Due Diligence** - The process of investigating a property before purchasing or leasing it, including inspections, legal reviews, and financial analysis.

**Easement** - The right to use a portion of someone else's property for a specific purpose, such as access to a driveway or utility lines.

**Emergency Preparedness Plan** - A plan that outlines procedures for responding to emergencies, such as fires or natural disasters, at a commercial property.

**Encroachment** - When a portion of a property extends beyond its legal boundary and onto an adjacent property

**Energy Management** - The process of optimizing a building's energy use to reduce costs and improve sustainability.

**Environmental, Social, and Governance (ESG)** - A set of standards that measure a company's sustainability and ethical practices, including those related to the management of its properties.

**Equity** - The value of a commercial property minus the outstanding debt.

**Equity Capital** - Funds provided by commercial real estate investors in exchange for ownership or a share of the profits.

**Escalation Clause** - A lease provision that allows rent to increase over time, typically to keep up with inflation.

**Escrow** - A neutral third party that holds funds or documents related to a property transaction until all conditions are met.

**Fair Market Value** - The price a commercial property would sell for in an open market.

**Fire Safety Systems** - Systems designed to prevent and control fires in a commercial property, such as sprinkler systems and fire alarms.

**Franchise** - A commercial business model where the owner of a business grants the right to use their name and business model to a franchisee in exchange for a fee and a portion of profits.

**Gross Lease** - A type of commercial lease where the landlord pays all operating expenses, including property taxes and maintenance costs.

**Ground Lease** - A type of commercial lease where the tenant leases the land and owns the building or improvements on the property.

**Hard Money Loan** - A type of commercial loan that is secured by the value of the property, rather than the borrower's creditworthiness.

**Homeowner's Association (HOA)** - A governing body of a residential community that manages common areas and enforces CC&Rs.

**HVAC (Heating, Ventilation, and Air Conditioning) System** - The system that controls a building's heating, cooling, and ventilation.

**Improvement** - Any changes made to a commercial property that increase its value, such as renovations or additions.

**Inspection** - A professional evaluation of a property's condition, typically conducted prior to a purchase or sale.

**Insurance** - Coverage that protects a commercial property against losses due to damage, liability claims, or other risks.

**Investment Property** - A commercial property purchased with the intention of generating income through rent or resale.

**Land Use Restriction** - A legal limitation on the use of a commercial property, such as zoning regulations or environmental restrictions.

**Landlord** - The owner of a commercial property who leases it to a tenant in exchange for rent payments.

**Lease Administration** - The process of managing commercial leases, including rent collection, tenant communications, and lease renewals.

**Leasehold Improvements** - Alterations or improvements made to a leased commercial property by the tenant.

**Leasing Agent** - A licensed real estate professional who helps landlords find commercial tenants and negotiates lease terms.

**Letter of Intent** - A non-binding document outlining the proposed terms of a commercial lease or sale.



**Lien** - A legal claim against a property for unpaid debts or obligations, such as taxes or a mortgage.

**Liquidity** - The ability of a commercial property to be quickly converted to cash.

**Loan-to-Value Ratio** - The amount of a commercial loan divided by the market value of the property being purchased.

**Maintenance and Repair** - The ongoing tasks required to keep a commercial property in good condition, such as painting, cleaning, and plumbing repairs.

**Market Rent** - The typical rental rate for similar commercial properties in the same geographic area.

**Mezzanine Financing** - A type of commercial financing where the lender provides a loan that is subordinated to a senior loan but has a higher interest rate.

**Mortgage** - A loan that is secured by a property, where the lender holds the property as collateral in case of default.

**Net Lease** - A type of commercial lease where the tenant pays some or all of the property's operating expenses, in addition to rent.

**Offer** - A proposal to purchase a property, including the proposed price and terms of the sale.

**Operating Agreement** - A legal document that outlines the terms of operation for a commercial property owned by multiple investors.

**Operating Expenses** - The ongoing expenses associated with operating a commercial property, such as property taxes, insurance, and maintenance costs.

**Passive Income** - Income generated from a commercial property that requires little to no effort from the owner.

**Pre-Approval** - A preliminary evaluation of a buyer's creditworthiness and ability to obtain a mortgage loan.

**Principal** - The original amount of a mortgage loan, before interest and other charges are added.

**Pro Forma** - A financial projection for a commercial property, typically used to estimate its potential profitability.

**Property Management Agreement** - A contract between a property owner and manager that outlines the responsibilities and compensation of the manager.

**Property Manager** - The individual or company responsible for managing a commercial property on behalf of the owner.

**Property Tax** - A tax levied by local government based on the assessed value

**Real Estate Investment Trust (REIT)** - A type of investment vehicle that owns and operates commercial properties, distributing profits to shareholders.

**Recourse Loan** - A type of commercial loan where the borrower is personally liable for the repayment of the loan.

**Rent Roll** - A list of all tenants in a commercial property, including their lease terms and rent payments.

**Sale-Leaseback** - A transaction where a commercial property owner sells the property and then leases it back from the buyer.

**Security** - Measures taken to protect a commercial property from theft, vandalism, and other threats.

**Seller Financing** - A type of commercial financing where the property owner provides a loan to the buyer.

**Sublease** - A type of commercial lease where the tenant rents all or part of the leased space to another tenant.

**Subordination Agreement** - A legal agreement that places a commercial loan in a lower priority position than other debts or liens.

**Tenant Improvement (TI) Allowance** - A provision in a commercial lease that provides funds for the tenant to make improvements to the leased space.

**Tenant Improvements** - Alterations or improvements made to a commercial property by the landlord for the benefit of a tenant. **Tenant Screening** - The process of evaluating potential tenants for a commercial property, including their creditworthiness and rental history.

**Title Insurance** - Insurance that protects a commercial property owner or lender from losses due to defects or problems with the property's title.

**Triple Net Lease** - A type of commercial lease where the tenant pays for all operating expenses, including property taxes, insurance, and maintenance costs.

**Triple Net Lease (NNN)** - A type of commercial lease where the tenant pays for all operating expenses in addition to rent.

**Undermarket Rent** - A rental rate for a commercial property that is below the current market rate.

**Underwriting** - The process of evaluating the risk associated with a commercial loan and determining whether to approve it.

**Utilities** - Services required to operate a commercial property, such as electricity, water, and gas.

**Vacancy** - The percentage of available commercial space that is not currently leased or occupied.

**Vacancy Rate** - The percentage of available commercial space that is not currently leased or occupied.

**Variable Rate Loan** - A type of commercial loan with an interest rate that fluctuates based on a benchmark index.

**Work Letter** - A document that outlines the construction or renovation requirements for a commercial property as part of a lease agreement.

**Yield** - The return on investment for a commercial property, expressed as a percentage of the property's value.

**Zoning** - Local government regulations that dictate the allowable use of a commercial property.

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