

Real Estate Terminology Commonly Found in Leases and Contracts

1. Affiliated Entity – An external entity that has a formal relationship with the University of Colorado Health Sciences Center documented with an Affiliation Agreement.
2. Affiliation Agreement – is a written agreement with UCHSC and an external entity that formalizes a programmatic relationship of mutual benefit related to the missions of education, research or service. The agreement must be approved and signed by the Chancellor of the UCHSC.
3. Appraisal - The estimation and opinion of value placed upon a property based upon a factual analysis by a qualified professional including the process of estimation and the report itself.
4. “As is” Condition - Premises accepted by a tenant or buyer in the condition existing at the time of the lease or sale including all physical defects.
5. Assignable Area (ASF) – Assignable area is measured in square feet and consists of all areas assigned to, or available for assignment to an occupant, including every type of space functionally usable by an occupant except those spaces included in “non-assignable area”. Some times called Useable Area.
6. Base Rent - A set amount used as a minimum rent in a lease. Base Rent may remain the same over the term of the lease, or be increased each year over the term of the lease.
7. Base Year – The initial year of a lease agreement. The baseline used for determining rent increases, either in the base rent amount or in the operating expenses.
8. Build Out - The cost of reconfiguring and finishing new or released space in accordance with a tenant’s specifications.
9. C.A.M.- Common Area Maintenance
10. Common Area – The total area within a building that is not designed for rental to tenants but that is available for common use by all tenants. Restrooms, hallways, elevator lobbies, and service facilities, such as fitness facilities, are examples of common areas.
11. Core Factor – The percentage of common area in a building that, when added to the net useable square footage equals the net rentable square footage. May be computed for a building or a floor of a building. A “Loss Factor” is calculated by dividing the rentable square footage by the useable square footage.
12. Default – The general failure to perform a promised task or to pay an obligation when due. Specific examples are: (1) failure to make a payment of rent when due, or (2) the breach or failure to perform any of the terms of a lease.

13. Demising Walls – The boundaries that separate a tenant’s space from another tenant’s space and from a public corridor.
14. Direct Costs – Are those costs that can be identified with a specific UCHSC activity, or that can be assigned to such activities relatively easily with a high degree of accuracy.
15. Easement – A right to use the property of another created by grant, reservation, agreement, prescription or necessary implication. It is either for the benefit of land “appurtenant” such as the right to cross A to get to B, or “in gross”, such as a public utility easement. Since an Easement transfers a property right, Board of Regent approval is required for the UCHSC to grant an easement.
16. Efficiency Factor – The number resulting from dividing the “Useable Area” by the “Gross Building Area” in an office building, producing a benchmark measurement for that building’s use as an office building.
17. Estoppel Certificate – A statement concerning the status of an agreement and the performance of obligations under the agreement relied upon by a third party in the context of a lease, a statement by the tenant stating that the lease is in effect and certifying that no rent has been prepaid and that there are no known outstanding defaults by the landlord (except those specified).
18. Expense stop -Provision in a lease establishing the maximum level of operating expenses to be paid by the landlord. Expenses beyond this level are to be reimbursed by the tenant.
19. Facility Costs – Are cost incurred to pay for physical space including utilities, routine maintenance and repairs, and custodial services.
20. Facilities and Administrative Cost Recovery – (also referred to as indirect cost recovery) is the reimbursement (by external sponsors) of the facilities and administrative costs of sponsored projects.
21. Force Majeure – A force that cannot be controlled or resisted; something beyond the control of the parties involved. Includes acts of God (e.g., flood, tornadoes, etc.) and acts of man (e.g., riot, strikes, arson, etc.).
22. Full Service Rent – A rental rate that includes operating expenses and real estate taxes for the first year. The tenant is generally still responsible for any increases in operating expenses over the Base Year amount.
23. Grant – To transfer an interest in real property, either the fee, or a lesser interest such as a lease or an easement.
24. Grantee/ Lessee/ Tenant/ Buyer – One to whom a grant of property or property rights is made. In the case of a lease, this is the tenant.

25. Grantor/ Lessor/ Landlord/ Seller – One who grants a property right. In the case of a lease, this the Landlord
26. Gross Building Area – The total floor area of a building measured in square feet. The area extends to the outer surface of exterior walls and windows.
27. Gross Lease – A lease which provides that the landlord pay all expenses of the leased property including taxes, insurance, maintenance and utilities.
28. Hold Over Tenant – A tenant who retains possession of the premises after the expiration of the lease.
29. HVAC – The acronym for heating, ventilating and air conditioning. Refers to the equipment used to heat and cool a building.
30. Lease – An agreement whereby the owner of a real property (i.e., landlord) gives the right of possession to another (i.e., tenant) for a specified period of time (i.e., term) and for a specified consideration (i.e., rent).
31. Lease Commencement Date – The date on which beneficial occupancy commences and the legal terms of the lease go into effect.
32. Leasehold Improvements – Improvements made to leased premises for the benefit of the tenant. May be paid for by the landlord and amortized over the term of the lease, or may be paid for by the tenant, usually a one time cash payment at lease commencement. (Sometimes called Tenant Improvements)
33. Legal Description – A method of geographically identifying a parcel of land (or building) that is acceptable in a court of law.
34. Letter of Attornment – A letter from a landlord to a tenant stating that the property has been sold and directing rent to be paid to the new owner.
35. Letter of Intent – A formal method through which a prospective tenant/buyer expresses their interest in a property.
36. Long Term Lease – A lease whose term exceeds ten years from the mutual signing until the date of expiration or renewal option.
37. Net Lease – A lease in which the tenant pays, in addition to Base Rent, certain costs associated with a leased property, including property taxes, insurance premiums, repairs, utilities and maintenance.
38. Net Rentable Area – Floor area of a building less any vertical penetration of the floors such as elevator shafts and stairways.

39. Non-Assignable Area – Non-assignable area is the sum of all areas used for custodial services, corridors, elevators, escalators, stairways, lobbies, mechanical equipment, utility services, public toilets, and loading platforms (except when required for operational reasons and thus, included in assignable area). See Common Area.
40. Off-Campus Project – is a project in which more than 50% effort of the project (excluding sub-contractors) is conducted at an off campus location by University employees. Off campus is defined as locations other than University owned or operated facilities, and the costs of physical plant and library are not applicable to the project as indirect costs. See Exhibit for a list of off campus locations.
41. On- Campus Project – is a project where 50% effort or more of the UCHSC’s employee’s time and effort on the project is conducted at locations in University owned or operated facilities such that University physical plant, library and /or related costs are applicable as indirect cost. See Exhibit for a list of on-campus locations.
42. Operating Expenses – The actual costs of operating a property, including utilities, repairs, maintenance, property taxes and insurance premiums.
43. Pass Throughs - Building and operating expenses that are paid by the tenant under the terms of the lease.
44. Punch list –An itemized list noting incomplete or unsatisfactory construction. Usually prepared by the tenant after the contractor has notified the tenant that the space is substantially complete.
45. Real Property – (1) land and anything permanently affixed to the land, such as buildings, fences and those things attached to the buildings, such as light fixtures, plumbing and heating fixtures, or other items that would be personal property if not attached. (2) May refer to rights in real property as well as the property itself.
46. Renewal Option – The right of a tenant to renew (i.e., extend the terms of) a lease for a stated period of time and rent at an amount that can be determined.
47. Rent – Consideration paid for the occupancy and use of real property. A general term covering any consideration (not only money).
48. Rent Commencement Date – The date on which a tenant begins paying rent. It may be on or after the lease commencement date, but never before the lease commencement date.
49. Rentable Square Feet – Useable square feet plus a percentage (the Core Factor) of the common areas on the floor, including hallways, bathrooms and telecommunications closets, and elevator lobby. Rentable square footage is the number of square feet on which a tenant’s rent is based.

Exhibit A

50. Rentable/Useable Ratio – The number resulting from dividing the total Rentable Area in a building by the Useable Area. The inverse of this ratio describes the proportion of space that an occupant can expect to utilize.
51. Space Plan – A graphic representative of a tenant’s office space requirement showing wall and door locations, room sizes, and some furniture layouts.
52. Tenant – See Grantee.
53. Tenant at Will – One who holds possession of a premise by permission of the landlord without a written agreement.