

## **GLOSSARY OF GENERAL PROPERTY TERMS**

**Agricultural Holding** – In terms of the act, 8 565m<sup>2</sup> minimum.

**Bank Guarantees** - Landlords will require either a deposit or irrevocable bank guarantee to a negotiated amount as a deposit for the duration of the lease agreement.

**Bulk/FAR** – Maximum permissible lettable/building area under roof.

**Capital Gain** - Increase in capital value of a property on which tax is payable, either when sold or deemed by tax rule to be incurred.

**Capitalisation (CAP) Rate** - A ratio of the relationship between a year's cash flow and the present value of the cash flow. The rate at which the net income of a building is capitalized into perpetuity to derive its market value. Cap Rates are the property equivalent of the forward earning yield of listed shares.

**Common Area** – Areas of the building that are for the communal use of all tenants such as entrance foyers, stairs, toilets, passages etc.

**Consumption Charges** - These are charged as per consumption and are not included in the operating costs. i.e.: Electricity, water, refuse and sewerage charges.

**Coverage** – Maximum land area that can be built on.

**Decentralisation (or Suburbanisation)** - Alternative commercial nodes that have formed as a result of city growth and urbanization.

**Deed of Sale** – Agreement of Sale

**Density** – Number of dwellings per hectare.

**Depreciation** - As properties age, they lose value because of “wear and tear” and “Obsolescence”. The Building's value depreciates as a result.

**Developments Rights** - The legal ability to develop a piece of land, usually as confirmed by a town planning scheme.

**EAAB** – Estate Agency Affairs Board

**Earmarked** – Potential land rights supported by council.

**EIA** – Environmental Impact Assessment

**EMP** – Environmental Management Plan

**Escalation** – Annual percentage increase in rental.

**FAR** – Floor Area Ratio

**Farm Portion** – Agricultural sub-division of any kind

**Flood line** – 1:100 year flood line building restriction

**Floor Area Ratio (FAR)** - The ratio of the total area of the floor of a building to the total area of the land upon which it stands. Between one municipality and another, differences can exist in working out the ratio. Decentralised nodes tend have low bulk: city centres have high bulk.

**Footprint** – Same as coverage.

**Freehold Title**- Unlike sectional title, freehold title means that the property owner holds tenure over the entire property and not just a portion of it.

**Freehold** – Ownership can be full title or sectional title.

**GBA** – Gross Building Area

**Gearing** - Also referred as leverage. A property owner's debt as a percentage of the value of the property. Also called loan to value.

**GLA** – Gross Lettable Area

**Gross Lettable Area (GLA)** - Total area that can be rented out to tenant. It usually includes common area such as kitchen and bathrooms, but excludes parking and fire escape.

**Gross Lease** - A lease where the tenant pays a single monthly rental, inclusive of all costs. With this type of contracts, the landlord bear risk of increased operating expenses.

**Geotechnical study** – Soil analysis with foundation recommendations

**Grade "A" Office Space** – The SA Property Owners' Association (SAPOA) defines A- Grade office space generally not older than 15 years or which has had major renovation, has high- quality modern finishes, air conditioning, adequate onsite parking and is getting rents near the top of the range.

**Grade "B" Office Space** – Older buildings with accommodation and finishes close to modern standards as a result of refurbishments, with onsite parking and air conditioning.

**Grade "C" Office Space** - Buildings with older finishes and services that may have onsite parking and air-conditioning.

**Grade "P" Office Space** – P Grade stands for premium and SAPOA defines P-grade office space as top-quality.

**Gross Rental** – Net rental plus operating costs, but excludes consumables such as water and electricity.

**Height Restriction** – Maximum floors or height of building in metres.

**House Rules** -Most buildings have a set of house rules which provides the owners and tenant with important information with regard to hours of attendance, building management, staff, air conditioning, parking, transport of stock in and out of the building and fire drill procedures.

**Hypothec waiver** - Most companies that lease equipment to tenants require the landlord to sign a hypothec waiver in the event of the tenant's default in their commitment to the landlord.

**IEASA** – Institute of Estate Agents South Africa

**Initial Yield** - The net rental income from the first year of a property investment divided by the value of the property expressed as a percentage; also an indicator or risk.

**Lease Gross** - In the gross lease the lessee pays a fixed rental escalating at a predetermined rate per annum and includes all operating costs, rates and taxes which are the sole responsibility of the lessor (generally excluding electricity).

**Lease Net** - The net lease separates the net rental from the operating cost and rates and taxes and each component generally escalates at a different percentage per annum. The operating costs are the sole responsibility of the lessor, excluding electricity.

**Lease Triple Net** - This agreement accounts for the net rental only with all operating costs, rates and taxes, etc. being the responsibility of the lessee.

**Leasehold** – Ownership title restricted to leasing.

**Lettable Area** - Includes a proportionate percentage of common areas, such as entrance foyers, stairwells and toilets with the usable area being the balance of space left for the tenant's exclusive use.

**Net Lease** - A lease with a provision for the tenant to pay, in addition to rent, certain costs associated with the operation of the property.

**Net Rental** – Base rental excluding operating costs and rates

**Occupancy Rate:** Indicates the level of tenanted / occupied space in a specific area or building and is usually expressed as a percentage of the gross leasable area. The inverse is the vacancy rate.

**Office Installation Allowance** - Depending on the prevailing demand / supply situation standard office installation costs will either be covered by the landlord or required as additional costs from the tenant. The allowance is usually based on a list of specifications applicable for a specific building. These specifications refer to partitioning division, doors, wall finishes, floor finishes, power and telephone outlets, lighting levels, air conditioning outlets, thermostats and louver drapes. The allowance is based on the lettable area and most landlords also offer a free design service to assist you in laying out your premises.

**Operating Costs** - Operating costs include the running expenses of a building, the most common being the following: Building insurance, Refuse removal, Sanitary fees, Provision of toilet services, Building security, Garden maintenance, Air conditioning maintenance, Lift maintenance, Cleaning of common areas, Common area electricity, Building maintenance, Management fee and Water. Electricity consumed in leased premises is usually separately metered for the account of the lessee. The cleaning of the leased premises are usually also excluded from operating cost and separately paid for by the tenant.

An amount that can be recovered by the landlord from the tenant for the running costs of the property i.e.: security, rates, insurance, maintenance etc. Operating Costs are all the costs incurred

by the landlord in maintaining and running the building. These costs generally include the following: Security, External cleaning including windows, cleaning of common areas, External maintenance of building, Maintenance of the garden areas, Insurance of the building against usual risks, Maintenance of lifts, Meter Reading Charges, Property Management and administration fees, Provision of consumables to the toilets.

**Pan Handle** – Stand behind a stand with long access driveway.

**Parking Allocation / Rental** - Parking bay allocations are usually based on a number of parking bays per 100 m<sup>2</sup> lettable space. Office buildings are obliged to provide X number of parking bays per 100 m<sup>2</sup> lettable spaces depending on the zoning rights of the specific property. However, each building has a specific ratio that is applicable to the different types of parking bays available, for example covered parking and open parking space. Parking rental is over and above the cost not included in gross rental. A separate parking lease may be required in certain instances. Parking rental usually escalates on all annual basis or at a predetermined escalation rate.

**Plot** - Lot, Erf, Stand as other names for township sites.

**Proclaim** – Government gazette notice.

**Rental Concession (Tenant Incentive)** - Concessions a landlord may offer to a tenant in order to secure tenancy.

**Rental Gross** - Gross rental includes the following: Net Rental, Operating Costs, Rates and Taxes. The gross rental excludes VAT, services charges such as electricity consumption, water consumption, etc. Parking expenses and VAT. When alternative proposals are evaluated the gross rentals in each proposal should be compared with one another.

**Rental Net** - Net rental excludes operating costs, rates and taxes, VAT and electricity. The net rental also excludes parking rentals.

**Sales and Leaseback** - A financing arrangement in a property that is sold by its owner/user, who simultaneously leases the property from the buyer for continued use.

**SAPOA** – South African Property Owners Association

**SG Diagram** – Surveyor general diagram of land dimensions and co-ordinates.

**Sub-Lease** – A lease given by a tenant of the leased premises.

**Surety** - Personal surety ships may be required from the directors or members. The latter indicates confidence of lease signatories in their own business which is obviously an assuring factor to landlords.

**TI** – Tenant installation allowance given by the landlord to the tenant in order to assist the tenant with regards to their internal space planning.

**Triple Net Lease** – A lease that requires the tenant to pay all the running costs for the property i.e.: maintenance, security, rates, insurance etc.

**Turnover rental** - clauses are usually applicable to shops and restaurants whereby the Lessee pays a percentage % of turnover over and above the base rental.

**Usable area** - Lettable area includes a proportionate percentage of common areas, such as entrance foyers, stairwells and toilets. Usable area is the balance of space left for the tenant's exclusive use.

**Vacancy Rate** - Indicates the level of empty space in a specific area or building and is usually expressed as a percentage of the gross leasable area. The inverse is the occupancy rate.

**Yield** - (Also known as a cap rate) Income from a property calculated as a percentage of value. The rental yield is calculated, by dividing the annual net rental received by the asking price of the property.

**Zoning** – Land rights (business, industrial, residential, farm)