

Glossary

REITs

Keyword	Definition
Adjusted Funds From Operations (AFFO)	Adjusts FFO to create a more cash-like metric
Cap Rate	The forward or next twelve month NOI of a property divided by the market value. It reflects the anticipated return to stakeholders in the investment
Funds From Operations (FFO)	Net income plus depreciation and amortization plus losses and gains from sales of properties. FFO attempts to make net income more cash like to determine if there is enough cash to pay dividends
Full Service Gross (FSG)	IN FSG leases, the property owner pays all expenses. The rent charge technically includes the tenant's expected share of expense built into the price and can be adjusted up if expenses climb.
Lease Types	Leases generally fall into one of three categories for purposes of distributing building expenses: Triple net (all expenses are paid by tenant; Modified Gross (expenses for reimbursement are negotiated; full service gross: all expenses are paid by property owner
Levered Cash Flow	Cash flow after all operating and debt financing cash flows have been deducted. Also viewed as cash available for equity stakeholders.
Net Asset Value (NAV)	The net value of a REIT (assets minus liabilities). It is a valuation technique that uses cap rates to value the operational assets.
Non-controlling Interest (NCI)	How the ownership stake of a property contributor to a REIT is defined. The property is controlled by the REIT but the owner maintains an outside interest in the building, often in the form of ownership units.
Modified Gross Leases or NN	Where one or more categories of expense (taxes, insurance, utilities) are passed on to the tenant and the rest are paid by the property owner.
NNN	Triple net leases are leases in which the property owner passes all expenses to tenants on a pro rata basis.
Net Operating Income (NOI)	The income before financing charges on the P&L of a property. It is net rental revenue less all building related expenses.

Non Qualified Dividends	REIT dividends, taxed as ordinary dividend.
Op Units	A form of ownership in a REIT which is given to property holders who sell or contribute to their properties to the trust in order to defer taxes.
Pass Through Entity	A type of corporation where the taxes are not paid at the corporate level but instead, the profits or dividends are passed through to the owners where the taxes are paid at the individual level.
Percentage Rent	A formula used by commercial retail space owners to share in the revenues of a business that benefits from the foot traffic of the other stores or features on the property.
Pro Rata	The calculation of the tenant's rented space over the total rentable space in the building.
Qualified Dividends	Dividends taxed at lower rates (corporate dividends).
Real Estate Investment Trusts (REITs)	A tax driven structure that pools real assets and pays high levels of dividends to minimize taxes on property gains.
Unlevered Cash Flow	Cash flows after all operating cash flows have been deducted. Also viewed as cash available for debt and equity stakeholders.
