

Glossary

Real Estate

Keyword	Definition
Amortizing Loan	Loans in which principal is repaid each period are amortizing.
Balloon Loan	A loan that has a small monthly payment amount and a large payment due at the end of the loan.
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
Equity Waterfall	A calculation of how cash flows are shared between limited partners and general partners in a privately funded deal.
Full Service Gross (FSG)	In FSG leases, the property owner pays all expenses. The rent charge technically includes the tenant's expected share of expenses built into the price and can be adjusted up if expenses climb.
Hurdle Rate	A guaranteed return promised to an investor or expected on a deal
Junior Loan	Loans that are repaid second after any senior loans have been settled.
Lease Types	Leases generally fall into one of three categories for purposes of distributing building expenses: Triple Net (all expenses are paid by the 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.
Mezzanine	In-between financing that sits between senior debt and equity. It can take the form of junior debt, in which case it is called first-loss lending. It can also be preferred equity.
Multiple on Invested Capital (MoIC)	The cash returned from a deal to equity investors over the cash invested by the same investors.
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 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.
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
Preferred Equity	A mezzanine form of financing that is paid after all debt holders but before any common equity shareholders. There is typically a fixed hurdle rate or coupon on this ownership level with limited or no upside.
Pro Rata	The calculation of the a tenant's rented space over the total rentable space in the building.
Secured Loan	Loans that are secured by assets or the asset being financed.
Senior Loan	Loans that sit at the top of the capital structure and are guaranteed first repayment.
Unlevered Cash Flow	Cash flows after all operating cash flows have been deducted. Also viewed as cash available for debt and equity stakeholders.
