

RE 310 – Principles of Real Estate Introduction to Investment

1) Cash is King!

a) The ultimate goal of any real estate investment is to generate cash flows.

b) Three types of cash flows to consider:

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c) Income taxes and real estate:

□ In this class, we will ignore income taxes and focus only on before-tax cash flows.

□ As a general rule, however, income taxes generally don't alter real estate investment decisions.

□ Two exceptions:

➤ Low income housing tax credits

➤ Historic preservation tax credits

2) Common Lease Jargon (see handout in *Downloads* section of the website)

a) Rent

- Base rent
- Asking rent
- Contract rent
- Market rent

b) Rent adjustments

- Indexed leases
- Step leases
- Percentage leases and overage rent

c) Expense Allocations

- Gross (full-service) lease
- Net (hybrid) lease
 - Double-net lease
 - Triple-net (absolutely-net) lease
- Expense stops
 - Common area maintenance (CAM) charges

d) Other Common Lease Terms

- Rent Concessions
 - Tenant improvements
- 3) **Building Measurement Terms** □ The terms outlining how office space is measured are based on standardized definitions created by the Building Owners and Managers Association (BOMA). More information can be obtained from their web site at <http://www.boma.org>.
- a) **Gross building area** – Also known as gross measured area or gross square feet.
 - b) **Total rentable area** – Also known as gross leasable area or rentable square feet.
 - c) **Usable area** – Also known as office area or usable square feet.
 - d) **Common areas**
 - e) **Load factor** – Also known as the add-on factor or the common area factor.
- Efficiency percentage