

GLOSSARY OF PROPERTY CONTRACT TERMS

Abandonment - The voluntary relinquishment of a property or an interest in a property, where there is no intention of resuming possession of the property or of maintaining rights in it.

Alienation - The transfer of an interest in a property to another - eg sale of a freehold or the grant or assignment of a lease.

Amortisation - The gradual reduction of debt or liability, especially by means of equal periodic payments at stated intervals which, in total are sufficient to repay the capital or principal at the end of the given period and to pay interest on the outstanding balance throughout the period.

Arbitration - A method of settling disputes by reference to an independent and impartial third party, usually an arbitrator appointed by the president of SAPOA.

Break Clause - a clause that allows a tenant to end a lease at specific times during the period of the lease

Capitalisation - The value of an asset assessed in relation to the expected future income (rental) stream.

Capital Value - The value of an asset, freehold or leasehold, as distinct from its annual or periodic (rental) value

Conveyance - A deed that conveys property rights

Covenant - Denotes the worth of the tenant and hence the risk of default, which will have a bearing on the value of the lease

Confidentiality Clause - An agreement between the parties to a lease or sale that some or all of the terms will remain confidential. Third parties can however compel the revelation of such terms by means of a sub-poena

Deed - A written document by which a person transfers ownership of real property to another. A deed must be properly executed and delivered in order to be effective.

Disclaimer - A written document denying legal responsibility, or a limitation of rights that might otherwise be claimed

Discounted Cash flow - An investment appraisal technique which takes into account the time value of money by assessing the present value of future income and expenditure. It is often used in valuing an investment or to show the viability of a project.

Encroachment - when a building or some portion of it, or a wall or fence, extends beyond the land of the owner and illegally intrudes upon that of an adjoining owner

Equity - the monetary value of a property after any claims, such as a bond, are taken away.

Eviction - The dispossession of a tenant of leased property by force or through legal process.

Fixture - A permanent fixed piece of furniture or equipment incorporated into a property. Removing it would cause damage to buildings or land and it is therefore regarded as legally part of it.

Freehold - Outright ownership of a property. This type of tenure contrasts with leasehold where the leaseholder has the right to occupy the property for a specified period of time

Forfeiture - Forfeiture of a lease occurs when the landlord exercises his right to regain possession against the wishes of the tenant, where there is a breach in a condition in the lease, or a breach of a covenant.

Fully Repairing Lease - A lease that requires the tenant to pay all the running costs eg maintenance, rates and insurance etc.

Head Lessee - Where a sub-tenancy exists, the highest leaseholder in the chain

Indenture - A deed or other document to which two or more parties are bound.

Investment Yield - Annual rent passing as a percentage of the capital value

IRR - Internal rate of return

Lessor - The owner of property that is leased or rented to others

Lessee - A contract by which an owner of property conveys exclusive possession and use of it for a specified rent and for a specified period - after which the property reverts to the owner.

Legal Duty - The responsibility to others to act according to the law.

Market Rent - The best rent at which a property might reasonably be expected to be let with vacant possession in the open market, with a willing landlord and tenant, taking full account of all terms of the tenancy offered

NPV - Net present value

Occupancy - Holding, possessing or occupying premises

Off Balance Sheet Finance - Financial technique which allow companies to incur debt, usually via associated companies or joint ventures, without the debt appearing in the groups consolidated accounts and affecting its gearing ratio.

Open Market Rent review - Where the rent review clause provides that the rent on review should be based on the open market prevailing for new lettings.

Premises - A building or part of a building usually including the adjacent grounds

Prime Covenant - The best quality of investment, represented by prime property

Reasonable wear and tear - Damage sustained in the course of normal use

Repossession - To take possession again of a property or good after non-payment of money owed, this might follow a court order

Sale and leaseback - An arrangement whereby a property is sold, with the vendor simultaneously being granted a lease on the property by the purchaser, generally at a rent related to the price paid.

Securitisation - The conversion of assets into tradable securities

Security of Tenure - The statutory right of a tenant to renew the lease at the end of the term

Sub-lease - A lease that is given by a tenant of part or all of the leased premises, to another person for a period shorter than the original lease, while still retaining some of the interest