

Concise Encyclopedia of Real Estate Business Terms



Bill Roark • Ryan Roark



30805400

Concise Encyclopedia of Real Estate Business Terms

Bill Roark
Ryan Roark, CCIM



Best Business Books®
An Imprint of The Haworth Press, Inc.
New York • London • Oxford

For more information on this book or to order, visit
<http://www.haworthpress.com/store/product.asp?sku=5637>

or call 1-800-HAWORTH (800-429-6784) in the United States and Canada
or (607) 722-5857 outside the United States and Canada

or contact orders@HaworthPress.com

Published by

Best Business Books®, an imprint of The Haworth Press, Inc., 10 Alice Street, Binghamton, NY 13904-1580.

© 2006 by The Haworth Press, Inc. All rights reserved. No part of this work may be reproduced or utilized in any form or by any means, electronic or mechanical, including photocopying, microfilm, and recording, or by any information storage and retrieval system, without permission in writing from the publisher. Printed in the United States of America.

PUBLISHER'S NOTE

The development, preparation, and publication of this work has been undertaken with great care. However, the Publisher, employees, editors, and agents of The Haworth Press are not responsible for any errors contained herein or for consequences that may ensue from use of materials or information contained in this work. The Haworth Press is committed to the dissemination of ideas and information according to the highest standards of intellectual freedom and the free exchange of ideas. Statements made and opinions expressed in this publication do not necessarily reflect the views of the Publisher, Directors, management, or staff of The Haworth Press, Inc., or an endorsement by them.

Cover design by Marylouise E. Doyle.

Library of Congress Cataloging-in-Publication Data

Roark, Bill.

Concise encyclopedia of real estate business terms / Bill Roark, Ryan Roark.
p. cm.

Includes bibliographical references and index.

ISBN-13: 978-0-7890-2341-4 (alk. paper)

ISBN-10: 0-7890-2341-5 (alk. paper)

ISBN-13: 978-0-7890-2342-1 (soft : alk. paper)

ISBN-10: 0-7890-2342-3 (soft : alk. paper)

1. Real estate business—Dictionaries. 2. Real property—Dictionaries. I. Roark, Ryan. II. Title.

HD1365.R63 2006

333.3303—dc22

2005032861

*Bill Roark
Ryan Roark, CCIM*

Concise Encyclopedia of Real Estate Business Terms



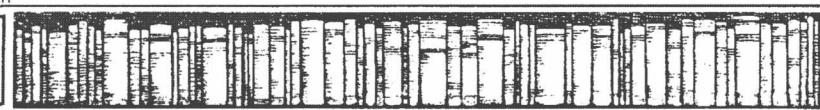
*Pre-publication
REVIEWS,
COMMENTARIES,
EVALUATIONS ...*

“Whether you are a real estate student, real estate professional, or a first time home buyer, the *Concise Encyclopedia of Real Estate Business Terms* is an excellent source of information! There are hundreds of real estate terms that are explained in this book with easy-to-understand definitions. The book is very useful and provides example forms of leases, closing checklists, purchase agreements, and lease/purchase agreements. This book is a great tool for the advancement of our industry!”

Crystal C. Acreman
*Realtor,
Century 21 Shackelford-French,
Louisiana*

“An excellent reference for anyone involved in the real estate business, whether the person is a practitioner or a consumer. This work is truly an encyclopedia, not a dictionary, offering readers opportunities for more complete understanding. It is of particular value to those who are educating and training real estate professionals. The book is full of meaningful and practical examples of working documents for aspiring professionals. The entries are well organized and contain the proper balance of information to be encyclopedic yet concise. This is an excellent launching point for learning of real estate. The approach of using a work such as this produces students who have been exposed to a comprehensive set of terms and their meanings.”

Michael Harford, JD
*Wake Forest University School of Law;
Professor of Management
and Past Chairholder of Real Estate Studies,
Morehead State University*



NOTES FOR PROFESSIONAL LIBRARIANS AND LIBRARY USERS

This is an original book title published by Best Business Books®, an imprint of The Haworth Press, Inc. Unless otherwise noted in specific chapters with attribution, materials in this book have not been previously published elsewhere in any format or language.

CONSERVATION AND PRESERVATION NOTES

All books published by The Haworth Press, Inc., and its imprints are printed on certified pH neutral, acid-free book grade paper. This paper meets the minimum requirements of American National Standard for Information Sciences-Permanence of Paper for Printed Material, ANSI Z39.48-1984.

DIGITAL OBJECT IDENTIFIER (DOI) LINKING

The Haworth Press is participating in reference linking for elements of our original books. (For more information on reference linking initiatives, please consult the CrossRef Web site at www.crossref.org.) When citing an element of this book such as a chapter, include the element's Digital Object Identifier (DOI) as the last item of the reference. A Digital Object Identifier is a persistent, authoritative, and unique identifier that a publisher assigns to each element of a book. Because of its persistence, DOIs will enable The Haworth Press and other publishers to link to the element referenced, and the link will not break over time. This will be a great resource in scholarly research.

30805400

Concise Encyclopedia of Real Estate Business Terms

Books

BEST BUSINESS BOOKS®

Robert E. Stevens, PhD

David L. Loudon, PhD

Editors in Chief

Doing Business in Mexico: A Practical Guide by Gus Gordon and Thurmon Williams

Employee Assistance Programs in Managed Care by Norman Winegar

Marketing Your Business: A Guide to Developing a Strategic Marketing Plan
by Ronald A. Nykiel

Customer Advisory Boards: A Strategic Tool for Customer Relationship Building
by Tony Carter

Fundamentals of Business Marketing Research by David A. Reid and Richard
E. Plank

Marketing Management: Text and Cases by David L. Loudon, Robert E. Stevens,
and Bruce Wrenn

Selling in the New World of Business by Bob Kimball and Jerold "Buck" Hall

*Many Thin Companies: The Change in Customer Dealings and Managers Since
September 11, 2001* by Tony Carter

The Book on Management by Bob Kimball

The Concise Encyclopedia of Advertising by Kenneth E. Clow and Donald Baack

Application Service Providers in Business by Luisa Focacci, Robert J. Mockler,
and Marc E. Gartenfeld

The Concise Handbook of Management: A Practitioner's Approach by Jonathan
T. Scott

The Marketing Research Guide, Second Edition by Robert E. Stevens, Bruce Wrenn,
Philip K. Sherwood, and Morris E. Ruddick

Marketing Planning Guide, Third Edition by Robert E. Stevens, David L. Loudon,
Bruce Wrenn, and Phylis Mansfield

Concise Encyclopedia of Church and Religious Organization Marketing by Robert
E. Stevens, David L. Loudon, Bruce Wrenn, and Henry Cole

Market Opportunity Analysis: Text and Cases by Robert E. Stevens, Philip
K. Sherwood, J. Paul Dunn, and David L. Loudon

The Economics of Competition: The Race to Monopoly by George G. Djolov

Concise Encyclopedia of Real Estate Business Terms by Bill Roark and Ryan Roark

Marketing Research: Text and Cases, Second Edition by Bruce Wrenn, Robert
Stevens, and David Loudon

Concise Encyclopedia of Investing by Darren W. Oglesby

This book is dedicated to my wife, Janice, whose patience and understanding during the sixteen months of preparation have made this work possible.

Bill Roark

To my mother, Janice, whose love and care have been a constant source of inspiration and guidance.

Ryan Roark

ABOUT THE AUTHORS

William E. (Bill) Roark, BA, is past president of the Northeast Louisiana Board of Realtors and past director of the Louisiana Association of Realtors. He formed Tri-State Properties in 1975 as a commercial real estate company and has had the opportunity to represent some of the country's leading restaurants, retailers, and industrial manufacturers. He is co-host of "Taking Care of Business," a live weekly real estate news and information talk radio program.

William R. (Ryan) Roark, BS, CCIM, has been structuring real estate investments and managing real estate portfolios since 1999. He is a member of the National Board of Realtors and is co-host of "Taking Care of Business," a live weekly real estate news and information talk radio program.

CONTENTS

Authors' Note	xv
AAA Tenant	1
Absorption Rate	1
Abstract	2
Acquisitive Prescription	2
Acre	3
Ad Valorem	3
Add-On Charges	4
Adjustable Rate	4
Agency	5
Alternative Mortgage	6
Amortized Lease	6
Appraisal	7
Appurtenances	9
As Is—Where is	9
Assessment	10
Assessor	10
Assignment	11
Assumption of Mortgage	11
Authentic Act	12
Average Daily Room Rate	12
Average Daily Traffic	13
Balloon Mortgage	14
Binding Effect	14
Bond for Deed	15
Breakpoint	16
Brokerage Fee	16
Bulk Sales Law	17
Buy/Sell Agreement	17
Buyer's Agent	19
Call	20
Capitalization Rate	20
Capital Gains	21
Cash Flow	22
Chattel Property	22
Closings	23

Cloud	23
Collateral	24
Collateral Mortgage	24
Commission	25
Comparables	25
Condominium	26
Confidentiality Agreement	27
Consideration	28
Constructive Notice	28
Contingency	29
Contract for Deed	29
Counteroffer	30
Covenants	30
Cross-Easement	31
Curative Work	31
Customer	32
Dation	33
Debt Service	33
Default	34
Defect	34
Demographics	35
Depreciation	36
Designated Agency	37
Discrimination	37
Dismemberment of Ownership	38
Dominate Estate	38
Down Payment	39
Dual Agency	40
Due Diligence	40
Due on Sale Clause	41
Durrett Rule	41
Earnest Money	43
Economic Feasibility	43
Encroachment	44
Encumbrances	45
Equity	45
Escalation Clause	46
Escheat	46
Estate at Will	47
Estoppel	47
Et Al	48

Et Ux	48
Eviction	48
Exclusive Listing	49
Exclusive Right to Sell	49
Execution	50
Expropriation	51
Extrapolation	51
Fair Market Value	53
Fee Simple	53
Fiduciary	54
Fixed Rent	54
Fixed Term	55
For Sale By Owner	55
Force Majeure	56
Foreclosure	56
Free-Standing Store	57
General Partnership	58
Graduated Payment Mortgage	58
Grantee	59
Grantor	59
Gross Lease	60
Ground Lease	60
Ground Rent	61
Habendum Clause	62
Hard Costs	62
Hazardous Waste	63
Heat, Ventilation, and Air-Conditioning System	63
Highest and Best Use	64
Home Inspection	64
Homestead Exemption	65
Improvements	66
Imputed Income	66
In Rem Mortgage	67
Indemnify	67
Infrastructure	68
Ingress/Egress	68
Internal Rate of Return	69
Land Capability Classification System	70
Land Contract	70
Lease	71
Legal Description	72

Lesion	72
Lessee	72
Lessor	73
Letter of Intent	73
License	73
Lien	74
Life Estate	74
Limited Partnership	75
Liquid Investment	76
Liquidated Damages	76
Liquidation	76
Listing Term	77
Litigation	78
Loan Prequalification	78
Loan to Value	79
Market Rent	80
Market Value	81
Marketability	81
Marketing Plan	82
Merchantable Title	83
Meridan	83
Metes and Bounds	84
Metropolitan Statistical Area	84
Millage Rate	85
Mineral Rights	85
Mitigation	86
Mortgage	86
Mortgage Broker	86
Mortgage Cancellation	87
Mortgage Insurance	87
Mortgage Satisfaction	88
Movable Property	88
Negative Amortization	90
Negotiate	90
Net Listing	91
Net Operating Income	91
Net Present Value	92
Nonbinding Agreement	92
Nonexclusive Listing	93
Nonrecourse Loan	93
Notary Public	94

Nuisance	95
Null and Void	95
Occupancy	96
Open-End Mortgage	96
Open Listing	97
Operating Statement	97
Option	98
Ordinance	98
Other Conditions	99
Partial Release	100
Participation Mortgage	100
Partition	101
Percentage Lease	102
Percolation	102
Perpetual Easement	103
Physical Life	104
Planned Unit Development	104
Potential Gross Income	105
Power Center	105
Power of Attorney	106
Predial Servitudes	106
Prepayment Penalty	107
Prescription	107
Prescriptive Easement	108
Pretax Cash Flow	109
Price Level Adjusted Mortgage	109
Private Mortgage Insurance	110
Pro Forma	110
Pro Rata Share	111
Property Condition Disclosure	112
Property Inspection	112
Purchase Agreement	113
Purchase Money Mortgage	113
Purchase Proposal	114
Range Line	115
Rate of Return	115
Real Estate Investment Trust	116
Real Estate Owned	116
Real Property	117
Realtor	117
Realtor Compensation	118

Recapture Rate	118
Reciprocal Easement Agreement	119
Recognized Gain	119
Recording	120
Redhibition	121
Redlining	121
Regional Shopping Center	122
Renewable Mortgage	122
Renewal Option	123
Rescission	124
Resort Properties	125
Restrictions	125
Restrictive Covenant	126
Resubdivision	126
Retail Map	127
Reverse Mortgage	127
Revpar	128
Right of First Refusal	128
Right-of-Way	129
Riparian Rights	129
Risk Analysis	130
Royalty	131
Rule of 72	131
S Corporation	132
Sale Leaseback	132
Secondary Easement	133
Section 8 Housing	133
Sector Theory	134
Secured Lender	135
Security Deposit	135
Seller in Bad Faith	136
Setback	136
Settlement Statement	137
Shared Appreciation Mortgage	138
Shopping Center	138
Short-Term Lease	139
Soft Costs	140
Special-Purpose Property	140
Specialty Shopping Center	141
Specific Performance	141
Specifications	142

Square Foot Cost	143
Stabilized Occupancy	143
Stabilized Value	144
Straight Line Depreciation	144
Strip Development	145
Subdivision	146
Subject to the Mortgage	146
Sublease	146
Subordination	147
Subrogation	147
Subsurface Rights	148
Succession	149
Successors	149
Superfund	150
Survey	150
Survival	150
Suscipient Business	151
Syndication	152
Target Market	153
Tax-Deferred Exchange	153
Tax Sale	154
Tenancy at Will	155
Tenancy in Common	155
Tenant	156
Tenant Improvements	156
Tenant Work Letter	157
Tender	158
Termite Certificate	158
Tertiary Trade Area	158
Testate	159
Time of Essence	159
Timeshare	160
Title	160
Title Insurance Policy	161
Torrens System	161
Tort	161
Total Net Lease	162
Township	162
Trade Area	163
Triple Net	164
Trustee	165

Undivided Interest	166
Unit Value	166
Unsecured Mortgage	167
Upside/Downside	167
Usable Area	168
Use Value	169
Use Variance	169
Usufruct	170
Usury	170
Vacancy Rate	171
Vendor's Privilege	171
Warranty Deed	172
Wetlands	172
Wrap Mortgage	173
Zoning	174
Appendix A. Sample Forms and Contracts	175
Appendix B. Measurements and Conversions	257
Bibliography	260
Index	261