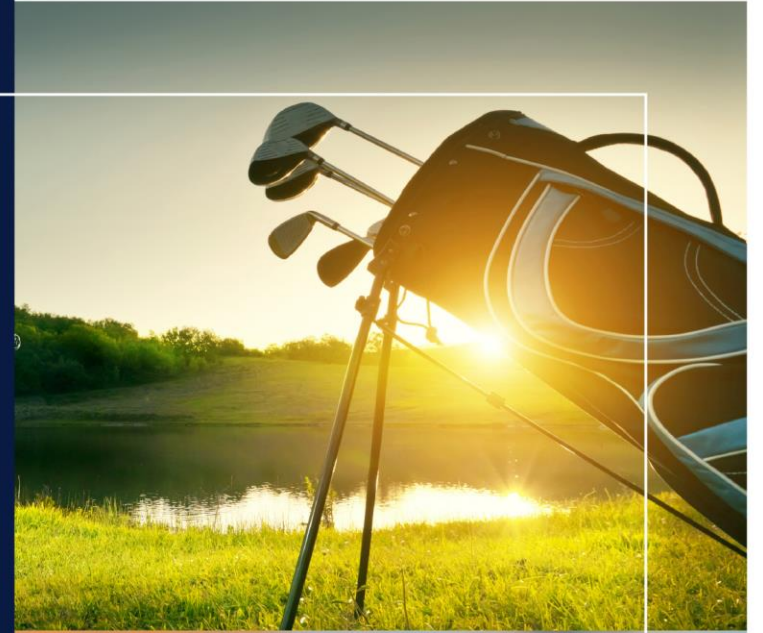


COMMERCIAL PROPERTY SECRETS

Living the instant cash flow dream lifestyle



Day 1 - Resource

Commercial Terminology

DISCLAIMER:

- The following list of terms is certainly not exhaustive or complete
- The following terms described are all the terms that are discussed within the scope of this seminar.
- It's purpose is to facilitate understanding of the concepts presented in this seminar, and to give a first time investor in the commercial sphere a handy starting reference guide to the terms regularly used by commercial selling and leasing agents.

Terms used in Commercial Investing

- **Yield** : Actual Net Income as a percentage of the Purchase price assuming property bought for cash.
- **Yield = Net Income / Purchase Price x 100**
- **Net Income = Rental Income – Outgoings**
- **Outgoings:** Property expenses that can be legally passed on to the tenant as agreed to in the lease.



Terms used in Commercial Investing

- **Gross Lease:** Landlord pays the property expenses, outgoings and GST.
- **Net Lease:** Tenant pays all expenses and outgoings documented in the lease + GST
- **Net Passing Income:** The net Cashflow passing to the Landlord after all expenses
- **Holding Income:** Income that's just about enough to barely cover holding costs while DA's are submitted.



Terms used in Commercial Investing

- **Commercial Leases:** Most terms and conditions are up for negotiation
- **Retail Leases:** Terms and conditions are governed by relevant State legislation.
- **Going concern:** the property and all leases, agreements and covenants are included in the sale.



Terms used in Commercial Investing

- **Due Diligence** – an investigation or audit of a potential investment, [person] or product to confirm all facts, such as reviewing all financial records, plus anything else deemed material.
- **Caveat Emptor** – Let the Buyer Beware!
- **Net Lettable Area:** Net Floor space being occupied and paid for in terms of the lease on a \$ per meter squared basis. Does not include amenities, shared access points, etc. Applicable to Retail, Office leases in Strata buildings.



Terms used in Commercial Investing

- **W.A.L.E – Weighted Average Lease Expiry** : WALE is used to measure the overall vacancy risk of a property with multiple tenants and is used by investors to assess the likelihood of a property becoming vacant.
- **Options for Lease Renewal**: Tenant reserves the right, but not the obligation to renew the lease.
- **Market Review**: At lease renewal, a review of the current lease rental rate in comparison the to the rental rate in the area is undertaken. Rental rate in the new lease is adjusted up or down accordingly.

