

## DEFINITIONS

### **NNN**

Tenant is responsible for all CAM, Taxes, and Insurance. Landlord responsible for roof & structure, occasionally parking.

### **1031 Tax Deferred Exchange**

The term 1031 exchange refers to a section of the Internal Revenue Code dealing with Tax deferred exchanges. This code provision states that property owners can sell their Investment property and then reinvest those proceeds in another property without incurring a taxable incidence at the time of sale.

### **Absolute NNN**

Tenant is responsible for all expenses including roof & structure. However, Lease can be cancelled for certain acts of god.

### **Bond Lease**

Same as Absolute NNN except Tenant is responsible for everything and under no circumstances can Tenant cancel the lease.

### **Gross Lease**

Tenant pays only Base rent. Landlord is responsible for **all** expenses.

### **Modified Gross Lease**

Same as Gross Lease except expenses designated in the Lease. In addition, some Gross Leases have expense stops. In these cases tenants pay all expenses above a preset number.

### **CPI Increases**

Some leases contain rental increases during the term of the lease. These increases can be either fixed specified amounts or they can be variable (CPI) based on cost of living indexes specified in the lease. These usually have annual and Total limits.

### **N.O.I.**

Net Operating Income = Income after any operating expenses and any reserves

### **Cap Rate**

N.O.I divided by the Purchase Price

Indicates yield on a non leveraged purchase

### **COC (Cash-on Cash)**

N.O.I minus Debt Service divided by the down payment. Indicates yield on cash invested.

(COC = Cap rate on non leveraged purchase)