

Contents

Introduction.....	i
Terms and Formulas.....	1
Getting Connected.....	365
Web Sites for Real Estate by State.....	367
Professional Real Estate Organizations.....	373
Web Sites for Real Estate Appraisal.....	375
Measuring Land & Property.....	377
About the Authors.....	420

Introduction

Real estate investing has created more millionaires than any other investment vehicle in this country. Statistics show that from 2004-2006, core private commercial real estate had annual returns of more than 17%, while the S&P had an average annual return of 10%, NASDAQ returned less than 7%, and bonds returned less than 5%. Although the recent sub-prime credit crunch has caused economic uncertainty and investor anxiety, it presents special opportunities for those investors that are better equipped with proper investment tools. Knowing and understanding technical terms and being able to analyze the financial data and interpreting their meaning properly are critical ingredients in making well informed investment decisions. The majority investors do not have the resources, or the time to research and verify the vast amount of information available today regarding local and national markets, accounting, taxes, financing, and the law.

The Book of Commercial Real Estate was written to bring accounting, taxes, financing, appraisal, and legal subjects related to commercial investment transactions to one easy-to-understand reference guide, in a manner that enables the readers or real estate professionals to put these investment terms and analytical skills to practice so that they can achieve better investment results.

This book is a result of years of researching information from fellow commercial real estate brokers, title companies, lenders, CPAs, attorneys, environmental specialists, local and state governmental agencies, legal documents, finance books, accounting books, law books, internet, and other sources related to real estate investment. The authors have tried to put those thoughts and practices down on paper as accurate and authoritative as possible. Keep in mind that terminologies, rules, and practices may vary slightly from one type of investment property to another and from region to region, but the fundamentals are uniform throughout the country or the world. Whether the reader is an investor, a real estate broker, attorney, CPA, or a prospective real estate investor, this book serves as a great resource guide and will be referred to over and over again. For those that are starting a new career in commercial real estate, the material in this book will dramatically decrease the learning curve.

First part of this book explains and clarifies thousands of commercial investment terminologies in an alphabetical order, with formulas, to enhance easy reference. Crucial financial subjects such as those mentioned earlier are demonstrated with real life examples to enable readers to grasp a precise and clear understanding, whether they are a beginner or seasoned seller, buyer, broker, or other real estate professional.

“Getting Connected” section immediately followed by the “Terms and Formulas” section is designed to give readers easy access to all 50 states’ Department of Real Estate or other official real estate site, and other professional organizations via their web links.

Please visit our web site www.RealtyAnalyzer.com

Terms and Formulas

1, 2, 3...

1031 Exchange (Internal Revenue Code Section 1031):

A transaction wherein a taxpayer is able to defer federal and state capital gains taxes by exchanging property (relinquished property or exchange property) held for productive use in a trade or business, or for investment, for “like kind” property (replacement property).

“Like kind” means similar in nature and character notwithstanding differences in grade or quality. As such, any type of real property may be exchanged for any other type of real property. For example, raw land may be exchanged for an apartment building, shopping center, or an office building and a single family residence may be exchanged for a hotel or a warehouse.

Money and any property received in the exchange by the taxpayer that is not “like kind” is referred to as “boot,” and is taxed at the applicable capital gains tax rate. Money includes cash and all cash equivalents plus liabilities of the taxpayer assumed by the other party. The following sources may be viewed by the IRS as “Boot”:

- **Cash Boot** – This may be cash that is received by the taxpayer from the sale of the relinquished property that is not used to acquire “like kind” property. Usually, it is in the form of “net cash received” which can be a result of “trading down” in the exchange, i.e., the replacement property does not cost as much as the relinquished property. Cash boot may also be caused by borrowing more money than is necessary to close on replacement property, i.e., the Intermediary will hold excessive cash for the closing. This excess cash is distributed to the taxpayer, resulting in cash boot because the taxpayer must use all cash being held by an Intermediary for replacement property.
- **Mortgage Boot** (also referred to as debt relief or debt reduction boot) – It may be debt from which the taxpayer is relieved (the old debt amount which is not offset by corresponding new debt on the replacement property) upon the sale of the relinquished property. It occurs when the taxpayer’s debt on replacement property is less than the debt that was on the relinquished property. As with cash boot, mortgage boot can occur when a taxpayer is “trading down” in the exchange.
- **Non-exchange Expenses paid by Sale Proceeds** – If the proceeds of sale of relinquished property are used to service those expenses not considered by the IRS as necessary and customary closing costs, the result is the same as if the taxpayer received cash from the exchange and then use the cash to pay these expenses. A few examples would be: rent pro-ration due to the buyer of the relinquished property, interest proration, tenant’s security deposits transferred to the buyer, repairs, home owner’s association dues, and property taxes. For a list of expenses that are deemed non-exchange (non allowable) and may be viewed as “boot” for the sale transaction by the IRS, see “Ask the Experts.”

- “Non-Like Kind” property may include interest in a partnership, notes and other evidences of indebtedness, stocks, bonds and other securities, inventory and other property held primarily for sale, and foreign property. See Section 1031(a) (2).

There are four types of exchanges permitted by Section 1031 and the Treasury Regulations promulgated there under: Delayed (Forward), Simultaneous, Reverse, and Improvement (See “Ask the Experts” for an explanation of reverse and improvement exchanges).

Time Requirements for the Exchange:

- Within 45 days from closing the relinquished property, any intended replacement properties (up to 3) must be identified in writing and delivered to a Qualified Intermediary involved in the exchange;
- Within the earliest of either the 180 calendar days after closing of the relinquished property or the due date (including extensions of the income tax return) of the taxpayer’s income tax return for the taxable year in which the relinquished property was sold, the taxpayer must close on the identified replacement properties.

Identification Requirements:

Replacement property is properly identified only if it is unambiguously described, in writing, signed by the taxpayer and hand delivered, mailed, telecopied, or otherwise sent to the Qualified Intermediary obligated to transfer the replacement property to the taxpayer by midnight of the end of the identification period (first 45 days of the exchange), with the exception that replacement property acquired within the 45 day identification period will be deemed identified without any written identification. Regardless of the number of relinquished properties transferred by the taxpayer as part of the same forward exchange, the taxpayer may identify replacement property under one of the following rules:

- 3 Property Rule—three properties may be identified regardless of the fair market value;
- 200% Rule—any number of properties may be identified so long as their aggregate fair market value as of the end of the identification period does not exceed 200% of the aggregate fair market value of all the relinquished properties;
- 95% Rule—any number of properties may be identified without regard to value so long as 95% of the value of the identified properties are acquired in the exchange.

Qualified Intermediary (“QI” also called accommodator or facilitator) — is a person or entity that, for a fee, assists the taxpayer to affect a tax deferred exchange by holding the exchange proceeds and acting as the principal in the sale of the relinquished property and the purchase of the replacement property. A QI cannot be the taxpayer or a disqualified person (a party related to the taxpayer or an agent of the taxpayer). Use of a QI is sanctioned as a safe harbor by the IRS.

The Treasury Regulations require that the taxpayer and the QI's Exchange Accommodation Titleholder (EAT) enter into a written exchange agreement (Qualified Exchange Accommodation Agreement or QEAA) prior to the sale of the relinquished property. The taxpayer must also assign the QI his rights to sell the relinquished property and his rights to purchase the replacement property. The taxpayer must also agree that, during the exchange, his access to the exchange proceeds will be significantly restricted. In sum, the funds must remain with the QI and may not be pledged in any way by the taxpayer during the pendency of the exchange. During the exchange period, the taxpayer may not receive any of the proceeds from the exchange account unless: (1) he fails to identify any replacement property by the end of the required 45 days; (2) he fails to close the replacement property by the end of the required 180 days or the tax filing due day, whichever is earlier; or (3) he completes the exchange (i.e. acquisition of all identified property).

Exchange Cooperation Language as a Notice of the Exchange:

It is recommended to include an exchange cooperation clause establishing the intent to perform a 1031 tax deferred exchange in the Purchase and Sale Agreement. However, such accommodation language is not mandatory. The purpose of the provision is threefold: (1) gives notice of the exchange to the other party (buyer or seller) to avoid later failure to cooperate, (2) Releases the other party (buyer or seller) from any liabilities or costs resulting in the exchange, and (3) evidences the taxpayer's clear intent to complete a 1031 exchange. See the following two examples:

- Sale of Relinquished Property may include the following language:
Buyer hereby acknowledges that Seller intends to perform an IRC 1031 tax deferred exchange which will not delay the closing. Seller requests Buyer's cooperation in such an exchange, and agrees to hold Buyer harmless from any and all claims, liabilities, or costs resulting from such an exchange. Buyer agrees to an assignment of this contract by Seller to ABC Exchange Corp., a Qualified Intermediary, for the purpose of completing such an exchange.
- Purchase of Replacement Property may be stated as follows:
Seller hereby acknowledges that Buyer intends to perform an IRC 1031 tax deferred exchange which will not delay the closing. Seller agrees to cooperate in such exchange at no additional costs or liabilities to Seller. Seller agrees to an assignment of this contract by Buyer to ABC Exchange Corp., a Qualified Intermediary, for the purpose of completing such an exchange.

To qualify for an exchange and be able to defer all the capital gains taxes, the exchanger (taxpayer or investor) must meet the following requirements:

- The property must be held for investment;
- The transaction must be structured as an integrated exchange transaction involving a QI. Cannot sell and repurchase to avoid taxes;

- The replacement property must be equal or greater in value than the relinquished property, taking into account the “exchange expenses” (allowable expenses) as an increase to the cost (value) of the relinquished property and the “non-exchange expenses” as a decrease to the relinquished property value;
- The replacement property must have an equal or greater debt than the relinquished property. When debt on replacement property is less than the relinquished property, cash must be added to replace the debt shortage; otherwise “Boot” is generated. (see “Ask the Experts” for further explanation);
- The replacement property must be equal or greater in equity than the relinquished property. All equity from the relinquished property must be reinvested into the replacement property. When the cash equity invested in the replacement property is less than the relinquished property, “boot” is generated. (see “Ask the Experts” for further explanation);
- Cannot receive or control cash from relinquished sale;
- The replacement property title must be taken in the same name or the same manner as the relinquished property was titled. Do not dissolve partnerships or change the manner of holding title during the exchange. (See “Ask the Experts” for further explanation).

Finally, certain closing costs are considered necessary to the sale of the relinquished property and the purchase of the replacement property. If an expense is necessary and is customary, it will be treated as a reduction of boot (with respect to the relinquished property) or an increase to the basis (with respect to the replacement property). For a detailed discussion of which costs the IRS deems allowable in this matter, see “Ask the Experts.”

The worksheet below provides a method to calculate the approximate capital gain taxes deferred by performing an IRC Section 1031.

Original Purchase Price	_____
Plus: Capital Improvements added after purchase	+ _____
Less: Depreciation taken during ownership	- _____
Equals: Adjusted Basis	= _____

Sales Price	_____
Less: Expenses of Sale (Allowable transaction expenses)	- _____
Less: Adjusted Basis (From Above Calculation)	- _____
Equals: Realized Gain on Sale	= _____

Multiply by: State Capital Gains Tax Rate (If any)**	X _____
Equals: State Capital Gains Tax due (gain from appreciation)	(A) = _____

Multiply by: Federal Tax Rate***	X _____
Equals: Federal Capital Gains Tax Due (gain from appreciation)	(B) = _____

Multiply by: Federal Recaptured Depreciation Tax Rate (25%)	X	.25
Equals: Additional Federal Tax Due (gain from depreciation recapture)	(C)	= _____
State Capital Gains Tax Due (A)		_____
Plus: Federal Capital Gains Tax Due (B)	+	_____
Plus: Federal Depreciation Recapture Tax Due (C)	+	_____
Equals: TOTAL TAXES WHICH CAN BE DEFERRED	\$	_____

**Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming have no state income tax. New Hampshire and Tennessee limit state income tax to dividend and interest income only.

*** Capital gains are taxed at either 15%, 5%, or 0%.

15% rate: applies to taxpayers in the tax brackets of 25% or higher (28%, 33%, and 35%).

5% rate: applies to those falling in the 10% and 15% income tax brackets; ended in year 2007.

0% rate: applies to individuals in the 10% and 15% tax brackets effective in year 2008. In 2007, a married couple who file jointly must have taxable income of no more than \$63,700 (\$65,100 for 2008) to qualify for the bottom two tax brackets (10% and 15%); for a single filer, the cutoff is \$31,850 (\$32,550 for 2008).

11th District Cost of Funds Index (COFI): The weighted average of the cost of borrowing money to member banking institutions of the Federal Home Loan Bank of San Francisco (the 11th District). The index rate tends to lag behind market interest rate adjustments and is relatively stable.

12 Month Treasury Average (12MTA/12 MAT): An Index that is the 12 month average of the monthly average yields of U. S. Treasury securities adjusted to a constant maturity of 1 (one) year. It is calculated by averaging the previous 12 rates of the 1 Year Treasury (CMT). More stable than the 1 Year Treasury Index, but fluctuates slightly more than the 11th District Cost of Funds (COFI).

72 Rule (Rule of 72): An estimate on how long it will take to double your money. Divide 72 by your interest rate to get the number of years it will take your money to double. If you are getting 6% on your return it would take 12 years for your money to double.

$$Rule\ of\ 72 = \frac{72}{Interest\ Rate}$$

A

Abandonment: A tenant or a property owner leaves the property voluntarily with no intention to return, which signifies the giving up of use or ownership of the property and/or the letting go of all legal rights to it. In some states the failure to use the property over an extended period of time represents the voluntary relinquishment of rights of lease or ownership, or another form of interest such as an easement. The time for failure to use can vary from state to state.

Abatement: (1) In general, a reduction or decrease.

(2) May be used to describe a decrease of assessed value of property for ad valorem taxes.

(3) When used regarding wills, it may refer to a reduction of gifts to one or more beneficiaries in the event that the assets left in the will are insufficient to pay all creditors and beneficiaries.

(4) In commercial real estate, it often refers to as free rent or early occupancy and usually takes place as part of or in addition to the primary term of the lease.

Abnormal Sale: A sale that is not typical of what is happening in the marketplace. Has more to do with a personal desire than a market influence. For instance, seller was under special financial stress due to a job lay off or illness, was relocating somewhere else and needed to sell in a hurry, or the property was sold to a related party, thus not an arms length transaction.

Above Building Standard: Upgraded finishes and/or specialized design necessary to accommodate a tenant's requirements, e.g., a higher grade of improvements than that would normally be installed in the building.

Absolute Net: Lease requiring tenant to pay base rent, utilities, real estate property tax (including special assessments), insurance, common area maintenance (CAM), plus repair and maintenance for HVAC, roof, and structure, as well as management fees, leaving the landlord to pay only the debt service. Often the tenant is directly responsible both for all such costs and for the active handling of the items themselves. Absolute Net is different from Triple Net (NNN) where by NNN tenant is not responsible for maintenance and repair of the building structure and roof.

Absorption: The net change in space that was leased or units that were sold in a defined geographic area over a given period of time. Gross absorption is a measure of the total square feet leased or sold over a specified period in a specific area, with no consideration given to space vacated or units newly constructed in the same geographic area during the same time period.

Absorption Rate: The rate at which rentable space or number of units for sale, in a specified time period and a defined area, is filled or sold. Absorption rate can be a ratio of leased space or sold properties versus space available for lease or properties available for sale. For instance, the rate at which a class A space or units – such as new office

space, new office buildings, new office condominium units and the like – were occupied or sold in a quarter and in Central Business District (CBD) area of San Francisco. It is the percentage of space or units in that market (or sub-market) either being taken off the market (leased or sold) or added back into the pool of existing space or units (vacated or for sale). Typically an increase (gain) in market absorption represents space that is now leased or sold, that was not previously leased or for sale. A decrease (negative) in market absorption indicates space that was leased or sold that is now vacant or for sale. Net absorption rate is the net increase or decrease in total leased space or units sold, expressed as a percentage, between two periods of time, mostly given for the difference between month to month, quarter to quarter, or year to year showing increases or decreases in leased space.

Abstraction Valuation Method (Extraction Valuation Method): An appraisal method used to find land (site) value. The value of all improvement costs (less depreciation) are deducted from the sale price and the remaining amount is attributed to land value. This method may be useful in appraising property when there are few sales for comparison.

For example:

Sale price: \$200,000

Original improvement cost: \$156,000

Amount being depreciated (Accumulated depreciation): \$8,000

Land value: \$52,000.

Abstract of Judgment: A judgment is a final order of a court. An abstract of a court judgment which is then recorded with the county recorder in the county where the property of the debtor is located, therefore becoming a general lien on the entire debtor's nonexempt real property within the county where the judgment is recorded. Certified copies of the abstract of judgment might be recorded in additional counties where the debtor has property.

Abstract of Title: A condensed version of recorded transfers, conveyances, legal proceedings and any other facts relied on as evidence of title to show continuity of ownership and indicate any possible impairment(s) to title. It is a history of title showing every recorded document. It does not indicate hidden items such as the contractual capacity of a grantor, an altered or forged document, an unknown spousal interest, failure of delivery or unrecorded documents.

Abut: To touch, border on, or be contiguous to. In commercial real estate, one property often abuts to another property where each property is located on different parcels and is owned by different investors.

Abutments: The vertical members (walls or heavy columns) which support the load or pressure of the cross member, such as an arch, pier, or similar structure.

Accelerated Depreciation: A depreciation method, which allows the property owner to "write-off" a cost of the property at a greater rate than under the straight-line depreciation

method. For example, double declining balance method, which allocates the largest portion of the cost of a property to the early years of its useful life. Cannot be used for real estate itself but is used in cost segregation for different elements or components of the real property.

Acceleration Clause: Clause used in an installment note and mortgage (or deed of trust), which gives the lender the right to demand payment in full upon the happening of a certain event, such as failure to make a payment by a certain date, change of ownership without the lender's consent, destruction of the property, or other event which endangers the security of the loan. In short, it outlines the consequences of a failure to perform on the part of the borrower. An Alienation Clause is a type of acceleration clause.

Acceptance: Under contract law, a voluntary promise agreeing to meet the specific conditions placed on an offer. It is a manifestation of willingness to be bound by the terms of an offer made in a manner invited or required by the offeror. An acceptance of an offer must be absolute and unconditional. In order for the acceptance to be effective, all of the terms of the offer must be accepted without change or condition. It is the fourth essential element (1st: competent parties, 2nd: legal or proper subject matter, 3rd: offer, 4th: consideration) required to create a contract. Acceptance results in the formation of a contract meaning both parties are bound and neither can withdraw from the bargain without incurring liability to the other.

Acceptance for goods, according to the Uniform Commercial Code, need not be unequivocal. Ordinarily, acceptance must be expressed or communicated by the offeree to the offeror, in order to manifest mutual assent. The manner in which acceptance is to be communicated may be specified in the offer (usually purchase order), in which case that becomes the exclusive means of acceptance. But if the offer prescribes no means, any reasonable and usual mode may be adopted. For instance, "Shipment of Goods as Acceptance", UCC article 2 provides that an offer can be accepted by any reasonable "medium", including the commencement of performance. Unless otherwise unambiguously indicated, an offer to buy goods for "prompt shipment" is to be construed as inviting acceptance either by promise or by the act of shipment itself.

For real property, acceptance must be unequivocal (explicit or unambiguous). A contract is not created when a buyer offers to pay an amount that is less than the price that a seller has offered to accept. In fact, the buyer has offered a counter offer. For instance, if a seller has an offering price of \$800,000 on his real property, no acceptance contract is created if the buyer only agrees to pay 600,000 instead.

Accessibility: The ease with which a person can enter or exit the building or parcel of land.

Accession: The addition to one's property whether by improvements such as a manufactured process (building improvements) or by a natural way such as alluvion or reliction - an increase of land by the permanent withdrawal of the sea, a river, lake, or other body of water. A way of acquiring property because it has become joined with

another property, e.g., the transfer of ownership of fixtures or land as a result of the attachment of those fixtures or land to another's property.

Access Right: The right to ingress (enter) and egress (exit) property.

Accommodator (Qualified Intermediary or QI): A third party intermediary who holds funds in a delayed or reverse IRC tax deferred 1031 exchange. To be qualified as the accommodator / qualified intermediary, one must not be related to the taxpayer and have no interest in the property. IRS Tax Code Section 1031 sets out the full requirements. In most situations, the Qualified Intermediary (QI) actually does not take title to the properties. The IRS regulations allow the properties to be deeded directly between the parties, just as in a normal sale transaction. The taxpayer's interests in the property purchase and sale contracts are assigned to the QI. The QI then instructs the property owner to deed the property directly to the appropriate party (for the relinquished property, its buyer; for the replacement property, the taxpayer). The QI should be bonded and have strong financial backing, and you should have a high trust level in the QI since they are handling a large some of your money. The QI is also commonly called a Facilitator. (See related term: 1031 Exchange) (See "Ask the Experts" for additional information)

Accounting: Accounting is the "language of businesses." It is an information system that measures, records, processes, communicates and interprets financial information about an identifiable economic entity, e.g. a business.

Accredited Investors: A wealthy investor who meets certain Securities and Exchange Commission (SEC) requirements in net worth and income to accept additional risk involved in certain investments as described below. They are considered to be sophisticated investors. As defined by Securities and Exchange Commission *Regulation 501 Schedule D*, it may be any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year, or whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds \$1,000,000. In addition, accredited investors may include institutional investors such as a bank, savings and loan association, insurance company, or registered investment adviser, or employee benefit plan with total assets in excess of \$5,000,000, or company directors and executive officers, venture fund, and certain other entities. Certain restricted offerings, limited partnerships and angel investor networks only accept accredited investors.

Accredited Land Consultant (ALC): The recognized experts in land brokerage transactions of five specialized types: (1) farms and ranches; (2) undeveloped tracts of land; (3) transitional and development land; (4) subdivision and wholesaling of lots; and (5) site selection and assemblage of land parcels. Acquire valuable skills through educational offerings leading to the ALC designation awarded by Realtors Land Institute.

Accredited Management Organization (AMO): A firm that meets the guidelines of the Institute of Real Estate Management (IREM) and includes at least one Certified Property Manager (CPM).

Accrual Basis: An accounting method that recognizes (records) revenues and expenses as they are earned or incurred, i.e., as the transaction occurred, not as whether cash has been actually received or paid. Most private investors use cash basis accounting, some institutional investors may use accrual basis, while others may use a combination of the two. Using a combination of the two can have the appearance of a better cash flow.

Accrued Depreciation: The total depreciation due to all causes, such as wear and tear (physical deterioration), the presence of features that are deficient (functional obsolescence), a location that is no longer desirable (environmental, economic, or location obsolescence), or a simple lack of appeal or desirability (all of the above reasons), from the time of construction to the date of appraisal. Accrued depreciation for real estate appraisal purposes may be greater than its accumulated depreciation (depreciation for accounting reporting purpose) as of the date of the appraisal. Depreciation (deterioration and obsolescence) may vary significantly with market supply and demand conditions. If demand exceeds supply, buyers may be willing to overlook many typical items of depreciation, such as a less desirable location. Thus, the appraiser should compute applicable depreciation in each category, and then subtract the aggregated figures from the reproduction or replacement cost of the structure to derive the structure value. Keep in mind that generally land does not depreciate.

Accumulated Depreciation: Accumulated depreciation is the portion of the property's historical cost (the amount the property owner paid to acquire the property) that has already been written off as a depreciation expense for accounting reporting purposes. It may represent the total depreciation that has been taken since the structure was constructed if the owner had it built.

Acid Test (Quick Ratio): The Acid Test often appears in business balance sheets to determine the ability of the business to pay its current liabilities with current assets. This test asks the question: if all the current liabilities were due immediately, would the current assets cover the debt? The Acid Test is one of the most used liquidity ratios in business, along with the current ratio. The formula for the acid test is the sum of current assets (cash, short-term investments, and current receivables) less inventory (including work-in-progress), expressed as a ratio of total current liabilities. If the ratio is over 1, there is enough short-term cash inflow to pay short term cash outflow. The higher the acid-test ratio, the better off the business is. (See related term: Current Ratio)

$$\text{Acid Test Ratio} = \frac{\text{Current Assets} - (\text{Prepaid Expenses} + \text{Inventory} + \text{Work in Progress})}{\text{Current Liabilities}}$$

Acknowledgement: A formal declaration before a notary public or qualified officer that the person signing a document is doing so voluntarily and using his or her legal name and signature. In most states, before a document can be recorded, it must be acknowledged. To be recorded in the county recorder's office or other repository of title information, it is required that a deed contain an acknowledgement of the grantor's signature. Normally, it is accomplished by the stamp (seal) and signature of a notary public, judge, etc. (See related term: Recording)

Acquisition: (1) The act of purchasing, whether the procurement is real estate property or supplies and services.

(2) The process through which one company takes over the controlling interest of another company.

Acquisition Appraisal: A market value appraisal to determine the value of a property (to establish the compensation to be paid to the owner) to be taken by eminent domain, i.e., to be condemned or otherwise acquired for public use.

Acquisition Costs: For real estate, costs incurred for acquiring real property such as escrow fees, title insurance, lenders fees (loan points and processing fees), inspections, surveys, appraisals, environmental review, attorney's fees, CPA's fees, and broker commissions (buyer's broker). For income tax purposes, most of these costs become part of the initial investment, and some of them, such as loan points, will have to be amortized as an expense over the term of the loan. (See related terms: Basis, Initial Investment)

Acre: A measure of land, equal to 160 sq. rods or 43,560 sq. ft. in any shape.

Action in Personam: Legal action directed against a specific person. It is a judicial proceeding against the person rather than against the person's property. For example: a collection of delinquent real property taxes. It seeks for specific performance from the individual, such as performance of the terms of a contract, providing a service, or repairing a loss. In common law, it seeks the repayment for a debt or damages incurred.

Action in Rem: Legal action against a property. A judicial proceeding against a property or against a "thing", instead of against the person who owns the property. Foreclosure is one example.

Action to Quiet Title (Quiet Title): A court proceeding (lawsuit) that is brought to determine title, ownership or rights to real property. It can be used to wipe out claims against a property to provide a marketable title to an owner, as well as to clear any cloud on a title, such as a misspelled name on a deed.

Actual Age (Historical or Chronological Age): The number of years since completion of the construction of the building.