

Glossary Of Terms Appendix D

MARKET RENT (MR)

Market Rent is defined as:

“The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

MARKET VALUE (MV)

Market Value is defined as:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

EXISTING USE VALUE (EUV)

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding any potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.”

EXISTING USE VALUE –

“The estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following further assumptions that:

DEPRECIATION REPLACEMENT COST (DRC)

“The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.”

Equivalent Yield (EY)

Equivalent Yield is defined as:

The internal rate of return from an investment property, reflecting the combination of both the rental income and capital value changes. It is a blended rate that considers both the initial yield and the reversionary yield, offering a more comprehensive view of the property's income-generating potential.

Gross Yield (GY)

Gross Yield is defined as:

The total annual income generated by a property, expressed as a percentage of its capital value. This yield does not account for any expenses related to the property and is calculated by dividing the annual rental income by the property's purchase price or market value.

Net Yields (NY)

Net Yields is defined as:

The annual income from a property after deducting all operational expenses, expressed as a percentage of the property's capital value. It provides a more accurate measure of an investment's profitability by considering costs such as maintenance, management fees, and property taxes.

Capital Value (CV)

Capital Value is defined as:

The market value of a property, representing the amount that would be paid by a willing buyer to a willing seller in an arm's length transaction on the valuation date, assuming proper marketing and each party acting knowledgeably, prudently, and without compulsion.

Net Operating Income (NOI)

Net Operating Income is defined as:

The total income generated by a property, after subtracting all operating expenses but before deducting taxes, financing costs, and capital expenditures. It is a key indicator of a property's profitability and financial health.

Net Operating Income Yield (NOIY)

Net Operating Income Yield is defined as:

The ratio of net operating income to the capital value of the property, expressed as a percentage. It measures the property's ability to generate income relative to its market value, indicating the investment's return.

Net Operating Income Growth (NOIG)

Net Operating Income Growth is defined as:

The rate at which the net operating income of a property increases over time. This growth can result from rent increases, improved occupancy rates, or better expense management, and is a crucial factor in assessing the long-term viability of an investment.

Vacancy Rate (VR)

Vacancy Rate is defined as:

The percentage of a property's total leasable area that is vacant and not generating income at a given time. It is a critical metric for assessing the demand for space in a property and the efficiency of property management.

Unexpired Lease Term (ULT)

Unexpired Lease Term is defined as:

The remaining duration of a lease agreement before it expires, typically expressed in years. This term influences the property's income stability and risk, as longer lease terms generally provide more certainty of rental income.

Net Reversionary Yield (NRY)

Net Reversionary Yield is defined as:

The yield that an investment property is expected to generate once it reaches its full market rental potential, taking into account future increases in rent. It is calculated by dividing the reversionary rental income by the current capital value of the property.

Capital Expenditure

Capital Expenditure is defined as:

The funds used by a property owner to acquire, upgrade, and maintain a property, which may include costs for new construction, major repairs, or significant improvements. These expenditures are necessary to enhance the property's value and prolong its useful life.