

# Glossary of real estate terms

Acquisition costs	Sum of all costs arising from acquisition of a property (purchase price, notary and ownership transfer costs, commissions) and/or effective cost price of own construction, plus cost of value-increasing investments and general refurbishments.
Gross return	Calculated from target rental income in percent of continued market value as at 1 January.
Earnings from sale Investment real estate	Difference between effective sale price (sales proceeds) and most recently reported market value, with due allowance for transaction costs in connection with sale and any cash-out guarantees granted to seller.
Collection losses and loss of income as a result of rent-free periods	Sum of all rental default losses and expenses in connection with rebates offered to existing or future tenants, rent-free periods, etc., plus revenue losses due to floor space vacancies during alterations.
Investment volume	Total site and construction costs (incl. capitalisable company-produced assets and building loan interest) at cost.
Vacancy rate	Aggregate of all rental losses due to unlet/vacant premises in percent of target rental income.
Earnings on property	Rental income minus expenses for management, operation, maintenance, repairs and value-maintaining refurbishments. Denotes real estate earnings before tax and borrowing costs (EBIT).
Market value	Estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller after proper marketing, where each party had acted independently, knowingly and without compulsion.  Market value is normally estimated by means of the discounted cash flow (DCF) method, with no allowance made for transaction costs.
Rental income	Sum of all revenue achieved in period under consideration (target rental income) minus ground rent, vacancy losses and collection losses.
Net yield	Calculated from target rental income in percent of continued market value as at 1 January.
Revaluation effect	Higher or lower valuation of investment real estate (yield-producing properties and investment real estate under construction), compared to previous year's balance sheet cut-off date, resulting from revaluation by external real estate valuer, with allowance for resulting changes in deferred taxes (difference between market and acquisition value).
Target rental income	Sum of all revenue potentially achievable in period under consideration in case of full letting, before deduction of ground rent, vacancy losses and collection losses.

<b>Maintenance and repair expenses</b>	Sum of all costs borne by owner that arise from reinstatement of a property to or maintenance of a property in its required condition. This also includes all servicing costs.
<b>Administrative and operating expenses</b>	Sum of all costs incurred by owner through use of a property, excluding maintenance and repair expenses. Administrative and operating expenses also include all ancillary costs that are not recoverable from tenants, e.g. due to specific provisions in rental contract.

The definitions of the above terms are based on Document D 0213 "Financial Benchmarks for Real Estate" ("Finanzkennzahlen für Immobilien") issued by SIA (Swiss Society Engineers and Architects) and SVIT (Swiss Real Estate Association), 2005 edition.