



## CRE Terms: Defining Space

### #2 - Total Inventory

Inventory is a very useful measure for the savvy CRE professional. Total inventory can be expressed as a number of buildings and total square feet (as the net rentable area). It does not, however, typically include buildings still under construction – meaning that inventory goes up as new developments and buildings are completed and delivered, and consequently it will decrease as a building goes “offline” – when it is demolished or its use changes. It is important to note that buildings being renovated may form part of the total inventory if they are still occupied or inhabitable during said renovations.

When expressing total inventory, the best practice is to provide a key or description of the “characteristics and numeric thresholds,” advises NAIOP.

### #3 - Net Absorption

Absorption is a changing figure, one that reflects change over time. Again, square feet are used as the base metric (although naturally in some markets square meters may be substituted). It is also directly related to the total inventory figure, as above.

“Net absorption,” writes NAIOP, “can be either positive or negative and must reflect increases and decreases in inventory levels.” And it can be expressed or stated as a measure of the market, submarket or building levels.

*Definitions are from the NAIOP Research Foundation. NAIOP is the Commercial Real Estate Development Association.*

