

## **Common Lease Terms:**

**as-is:** The existing condition of real estate, prior to any improvements contemplated under a lease.

**assignment:** The transfer of leasehold interest in a property to a second party.

**BOMA:** Building Owners and Managers Association which, among other things, established widely accepted methods of computing square footage in commercial buildings.

**base rent:** The minimum monthly rent, usually computed on a per- square-foot-per-year basis, due under the lease (see percentage rent).

**build-out:** Refers to the interior construction of a tenant's space whether new construction or the reconfiguration of existing space.

**build-to-suit** A customized design and build approach to a tenant's space usually resulting in a single occupant building which is then leased or sold to the tenant.

**certificate of occupancy:** Presented by city building department to landlord or tenant after completion of tenant improvements and satisfactory inspections by city building department inspectors.

**commercial property:** Other than residential. Owned or leased property such as office, research, retail and industrial properties.

**common area maintenance (CAM):** An additional, annual charge often assessed to tenants for maintenance of the property's "common area", such as its entryways, hallways or bathrooms.

**demising wall:** The wall which separates a tenant's suite from another tenant's suite, or building common areas. In most cases, a demising wall will be constructed from floor to either the building roof deck or floor deck. The wall may also be a fire rated wall (see "partition wall").

**escalation:** The mechanism in a lease which increases the rent, usually annually. May be set forth in fixed steps, tied to increases in operating expense, or to increases in the Consumer Price Index (CPI).

**fair market value (FMV):** The price which the market would bring, over a reasonable period of time, for a property for sale or for lease.

**go-dark:** The condition that results from a tenant's closing its business, even though the lease is still in effect. Lease language may provide a means for a landlord to void a lease and take back the leased premises if the tenant ceases to operate its business at that location.

**gross lease:** Commonly specifies one rental amount inclusive of rent, taxes, utilities, maintenance, etc. associated with the rental of a property.

**gross square feet:** Usually refers to gross area of a building by measuring from the outside of its exterior walls and including all vertical penetrations, such as elevator shafts. Also includes basement space.

**HVAC:** Acronym for heating, ventilation and air conditioning.

**hold over:** The condition that results when a tenancy exists beyond the end of the term of a lease.

**lease commencement date:** The date upon which the lease commences and the obligations of the parties begins (see also "rent commencement date").

**leasehold improvements:** Construction or improvements for the purpose of preparing the premises for the conduct of tenant's business. Improvements permanently attach to the premises unless they are trade fixtures, and they remain with the premises after the end of term of the lease.

**month-to-month:** A lease for a specific period of time, usually one month, which automatically renews itself for the same period of time, unless landlord or tenant provide notice to terminate.

**net lease(NNN):** Structured such that a base rent for a rental property is paid to landlord. In addition, other charges such as utilities and building property taxes, insurance and maintenance are also payable by tenant. Sometimes referred to as triple net or absolute net lease.

**operating expenses:** The costs associated with operating income producing property usually before interest and income tax expense, but including property taxes, insurance, repairs and maintenance, replacement reserves.

**partition wall:** A wall constructed to create work areas such as offices or conference rooms. Depending on security needs, a partition wall may not be constructed to the roof or floor decking, but may terminate at lower point such as a suspended ceiling.

**premises:** In commercial real estate, the description of the leasehold and the specific square footage for which the parties enter into a lease.

**renewal option:** Lease language that provides the means for tenant to give landlord notice of its intent to renew (extend) the lease.

**rent commencement date:** The date upon which the rent and usually the term of the lease begins. May be different from the lease commencement date when certain obligations must be fulfilled such as the construction of tenant improvements.

**rentable area:** Denotes the number of square feet in a commercial building deemed to be rentable, according to BOMA. May include a common area load factor or allowance for building amenities such as hallways and lavatories.

**security deposit:** Generally, a deposit of money by a tenant with a landlord to secure performance of a lease.

**shell space:** The interior condition of either a new or existing building without improvements or finishes. Typically denotes floor, windows, walls and roof of an enclosed premises. May include some electrical or plumbing improvements, but not demising walls.

**tenant's use clause:** Lease language which specifies the business activities tenant will engage in at the leased premises.

**triple net:** Generally refers to the requirement for the lessee to pay for its share of the property's taxes, insurance and operating expenses.

**usable square feet:** Denotes the number of square feet in a commercial building or suite deemed to be usable by BOMA.