



FREQUENTLY USED TERMS IN LEASING

The language of commercial real estate can be confusing and intimidating. **One of the things that Township Commercial does best is help each client understand the most often used words in commercial real estate leasing transactions.**

Lessor – the property owner, or Landlord.

Lessee – the tenant.

Letter of Intent – a document outlining the terms in which two parties would intend to formalize their agreement. Often used to negotiate prior to drafting the lease agreement.

Lease Agreement – A legally binding agreement between a Landlord and a Tenant where the Lessor gives the right of possession of the demised premises to the Lessee under mutually agreed upon terms.

Lease Term – This is the length of time that a tenant and landlord enter into a contract for the tenant's use of the premises and therefore the time the tenant is legally bound to pay rent.

Demised Premises - the premises that have been transferred by lease for use by the tenant. Or simply, the property/space the tenant is renting under the lease.

Square Footage (SF) - a measurement of any two-dimensional space, calculated by multiplying length by width. For example: if the space you are leasing is 25 feet wide by 40 feet long; $25 \times 40 = 1,000$ SF

Lease Rate – This is quoted as the annual cost per square foot of the demised premises. For example, if the lease rate quoted is \$10.00 per square foot and the size of the premises is 2,500 square feet, then the rate is $\$10.00 \times 2,500$ square feet, or \$25,000 per year. Divide \$25,000 by 12 to get your monthly rate of \$2083.33

Base Rent – The Lease Rate, not including any additional charges like triple nets, utilities, building charges.

Triple Net Lease – Many times the Lease Rate is quoted as a triple net (NNN) lease. The three nets are: Taxes, Insurance, and Common Area Maintenance. Some lease documents refer to it as “Additional Rent”. These costs paid on a pro-rata share. They are estimated and variable and are reconciled at the end of the year between the tenant and the landlord.

Common Area Maintenance– The costs associated with keeping the area common to all tenant’s clean, safe and operable. The expenses may include, but are not limited to; landscaping, general upkeep, parking lot striping, lighting, ADA compliance, snowplowing, maintenance, refuse removal, pest control.

Pro-Rata Share - This is the proportionate share of the building that the tenant occupies of the whole and therefore the share of the NNN Expenses that the tenant is required to pay.

Gross Lease – This is a lease where all charges are built into the monthly lease rate, so the tenant ultimately pays a flat sum of agreed upon charges.

Utility Costs – In addition to any Additional Rent it is standard for a tenant to pay the utility costs directly to the provider and will have their utilities separately metered.

Tenant Improvements – Tenant Improvements (TI) can be performed by the tenant or the landlord to improve a space, specific to a tenant’s use. Often a TI allowance is provided by a landlord to help offset the cost of the improvements.

White Box – when a space is delivered with exterior walls, windows and doors, standard code compliant lighting and electrical, basic heating, ventilation and air conditioning (HVAC); concrete floor, restrooms, fire protection to code.

Cold Dark Shell – when a space is with an unfinished interior and lacking heating, ventilating, and air conditioning (HVAC), and usually without lighting, plumbing, finished ceilings, or interior walls.

MEP – Mechanical (HVAC), Electrical, and Plumbing systems

Certificate of Occupancy - a document issued by a local government agency or building department certifying a building's compliance with applicable building codes and other laws, and indicating it to be in a condition suitable for occupancy. Usually required to be obtained by the tenant prior to opening for business.