

Leasing Terms

Agent: One who acts for another as a fiduciary. A real estate license is required to act as an agent for another in real property transaction.

Assignment: A transfer of an interest in real property, in this case, the leasehold interest.

Base Rent: An amount of rent before adding any escalations.

Base Year: Usually the first year of a lease to which future operating expenses are compared for the purpose of calculating expense increases.

Building Class: Class A normally post-1960 construction, Class B pre-1960 construction. Also used subjectively to describe the quality of a property. Class A excellent overall; Class B good overall, Class C older with some functional defects; Class D deteriorated needing renovations.

Common Area: Building or project areas used in common with other tenants including service areas such as maintenance rooms, janitorial closets, hallways, elevators, etc.

Consumer Price Index (CPI): A governmental index used in determining the cost of goods and services. Used in leases to prevent the erosion of income by escalating the rent payable annually.

Effective Rent or Rate: The average of all the years of the rent after deducting any landlord concessions such as free rent or over standard tenant improvements.

First Right of Refusal: Grants a tenant the first right to match an offer to buy or lease a property or premises, or refuse such an offer, after an offer has been tendered by a third party.

Full Service Rent: An all-inclusive rent covering rent, operating expenses, taxes and lessor's insurance, subject to escalations when these expenses increase after the first year of the lease.

Hold Over Tenant: A tenant in possession after the lease term expiration.

Mullions: Material used to divide window lines to allow for the attachment of walls in creating rooms.

Novation: To make new, such as a new lease agreement in lieu of a sublease or assignment of a lease.

Pass-throughs: Operating expenses and/or tax increases paid by tenant under a lease agreement are said to be passed-through to tenant.

Renewal Option: Grants the tenant the right but not the obligation to renew under specified terms and conditions.

Security Deposit: A deposit made by a tenant to a landlord to secure tenant's promise to perform its obligations under the lease.

Tenant Improvements: Improvements made to a property to make the space suitable for the tenant's intended use, whether paid for by landlord or tenant.