

Retail Leasing: Commonly Used Definitions

Prepared by Retail Leasing Advisors, LLC



Base Rent	Multiplying the square footage by the base rent amount, then dividing by twelve months calculates the monthly rental obligation. Operating expenses are in addition to base rent.
Common Area	Area of a property that is used by all owners or tenants. Examples of common areas are sidewalks, parking lots, landscaping, access points.
Fixtures	In real estate, a part of a piece of property that is permanently attached so that to move or remove it would damage the property. The fixture is considered a part of the property if it shares the same useful life as the rest of the property.
Guarantor	The personal guarantor is obligated to pay the balance owed to the Landlord in the event of default or non-payment by the tenant.
Lease Commencement	The lease commencement date is the date on which the lessee takes possession of the property and begins to use it.
Operating Expenses	Includes Common Area Maintenance (CAM), insurance and taxes for the shopping center. CAM are expenses incurred by the Landlord to maintain the buildings common areas, including but not limited to, lighting, landscaping, parking lots, etc. Insurance and taxes are for the shopping center only. NNN charges are calculated in the same manner as base rent, and are an estimated amount, which are reconciled annually. Commonly referred to as prorata charges, CTI or NNN.
Percentage Rent	A percentage rent clause typically has a tenant pay a percentage of its gross sales, either over and above an agreed-upon breakpoint, or after deduction of minimum rent and other expenses such as real estate taxes.
Prepaid Rent	First month's full rental payment is due upon execution of the Lease. Amount includes base rent and operating expenses.
Proposal to Lease	List of basic components, economic and legal, of a deal which Landlord and tenant execute to confirm their understanding and agreement of initial terms. Once agreed upon, it becomes the basis for the lease.
Renewal Option	A provision that covers the tenant's rights to extend the lease past the current end of term. A specific date is noted as a deadline to exercise this option. The deadline is commonly referred to an option notification deadline.
Rental Abatement	A specified period during which tenant is only responsible for NNN charges. Commonly referred to as free rent.

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Page 2

Security Deposit	Up-front money required by Landlord paid by Tenant. Often equal to first and last month's rent, including operating expenses (NNN).
Tenant Allowance	A specified dollar amount per square foot (psf) contributed by the Landlord to aid the tenant in construction costs and build-out.
Term	Length of time for leased space.
Use	The items, and or merchandise permitted to be sold or activity within leased premises.
Utilities	The tenant is responsible for the utility payments. Basic utilities are typically run to the premises.
Vanilla Box	The interior condition of either a new or existing building or suite in which the improvements generally consist of heating/cooling with delivery systems, lighting, electrical switches and outlets, lavatories, a finished ceiling, walls that are prepped for painting, and a concrete slab floor. Also called a "white box".

- The proposal to lease is contingent upon the Landlord's review and approval of the Tenant's financial statements and credit report. Appropriate forms are provided.
- A personal guarantee is typically required to lease space in a retail center.
- All terms, economic and legal, must be agreeable to the Landlord and Tenant prior to lease execution.
- A security deposit and prepaid rent is due upon execution of the Lease.
- The Tenant is responsible for all utilities. Basic utilities are already run to each space.
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