LEASING STEPS & JARGON

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1) Exclusive Listing Agreement: agreement between an owner and listing broker agreeing that (a) broker is the exclusive agent for the leasing (not necessarily the sale) of the property, (b) the fee that the listing and procuring broker will be paid when they lease the space and (c) the duration of the agreement.

- Listing Broker: Broker representing the building owner aka landlord in a transaction. The listing broker markets the property on behalf of the owner.

- Procuring Broker (aka Tenant Rep Broker): Broker representing the tenant or buyer in a transaction.

2) MLR: "Make Lease Ready" – proactively performing tenant improvements to a space before there is a tenant. Sometimes referred to as "White Boxing".

3) Marketing: broker (a) advises owner on what improvements / clean up should be made to the space to have it show the best, (b) creates a leasing brochure, (c) puts up a sign in front of the building, (d) markets space to other brokers and tenants and (e) tours prospective tenants, often with their procuring broker, through the space.

4) LOI: "Letter of Intent" – a typically non-binding agreement between owner and prospective tenant that outlines the key terms of the transaction such as lease rate, annual increases, duration of the lease, tenant improvements, options, etc.

5) Lease: a binding agreement, typically 15 pages with 20+ pages of exhibits documenting in detail the terms of the lease. For industrial, office, medical and retail leases, this is typically prepared and negotiated with the assistance of legal counsel.

6) LC (lease commissions): Commission on the total base rent the tenant pays during the term of the lease (before any renewal term). Typically paid 50% upon lease execution and 50% upon tenant occupancy.

7) TI (tenant improvements): One time cost at start of lease, often expressed as a certain amount psf.

- Who hires contractor? Could be landlord build or tenant build.
- Who pays costs? Any of the following:
  - Landlord pays 100%.
  - Landlord pays a certain amount up to a cap and tenant pays above cap.
  - Tenant pays 100%

8) Tenant Move In: Tenant moves in.

Starting Rate: Initial lease rate over the term of the lease.
Effective Rate: Average lease rate over the term of the lease.

Lease types relative to expense pass through:

- NNN (Triple Net) – typically for industrial and retail; 100% pass thru of CAM, property tax and insurance.
- Base Year/Stop (typically for office) – 100% pass through of expense increases over the year in which the tenant first occupied the space (e.g., at the end of the first year of the lease/base year, the actual operating expenses are calculated and become the tenant's base year; at the end of consecutive years, the tenant will pay all amounts above the established base year amount) .
- Gross – no pass through of expenses to the tenant.
- Modified Gross – pass through of some but not all expenses directly related to the leased premises.

MLA: "Market Leasing Assumptions" – Key lease terms from the underwriting or budget; include starting lease rate, growth in lease rate per year, free rent, tenant improvements, make lease ready costs, commissions and lease term.

WALT: weighted average lease term. Average lease term based on lease length weighted by tenant square feet. (bigger tenants have more impact on the WALT than smaller tenants).

Loss to Lease: gap between today's market asking rents and the average in-place rent.

Lease Trade Out: difference, usually in a %, between the previous lease rate and the new lease rate at time of renewal or replacement tenant.

Stacking Plan: Visual summary of where tenants are located in a property, usually color coded by lease expiration date.

Rentable Square Feet: The square footage of the leased premises for which rent is charged; Includes a portion of the building's shared/common area space. Different from…

Usable Square Feet: The square feet of the leased premises exclusively controlled by the tenant as opposed to part of the common area. Both used to calculate…

Load factor: Method of calculating the total monthly rent costs to a commercial tenant; % increase of rentable square footage over usable square footage.