



Common Lease Terms

Attorney Fees: Agreement about who pays attorney fees in the event of a lawsuit between landlord and tenant.

Assignment/Subletting: Some leases have a separate section describing the conditions under which you can sublet the space.

Build-out: The improvements to the office or building to make it usable for the tenant. In accounting terminology, these costs are called "leasehold improvements," and they can be depreciated as expenses.

Common Area Maintenance (CAM): This term describes costs for areas in a building which are not directly leased but which are a common responsibility, such as hallways, restrooms, stairways, and walkways. Most lessors add CAM costs to square footage costs to calculate lease payments.

Defaults and Remedies: Describes what happens if one party defaults (breaks the agreement), and the remedies available to the other party.

Deposit: Describes the security deposit the tenant is required to provide, and the circumstances under which it may be forfeited or returned.

Destruction/Condemnation: These clauses describe what happens if the leased space is destroyed or condemned.

Dispute Resolution: Some leases provide for alternate forms of dispute resolution, like mediation and arbitration.

Double Net Lease: A lease in which taxes and insurance expenses are included in the lease payment. The lessor pays maintenance costs.

Estoppel: Explains what happens if there is a change in the landlord's situation, to verify that the tenant is living up to his/her duties as a tenant.

Fully-Serviced Lease: A lease in which the rental payment includes other services, such as utilities, maintenance, and lawn/snow removal services.

Gross Lease: A lease which includes the landlord agrees to pay for all common expenses, including utilities, repairs, insurance and (occasionally) property taxes. The cost of a gross lease is higher than for other types of leases because all of these items are included in the amount of the lease.

Gross Square Foot: The total square footage of the building or office being leased.

Hold Over: Explains what happens if the tenant does not leave at the end of the lease.

HVAC: An abbreviation for 'heating, ventilating, and air conditioning.'

Lessor: The lessor is the person who is granting the lease and who has the legal obligations related to the lease contract; the landlord. Sometimes this is an owner, but it may also be a property management company or commercial leasing company.

Lessee: The lessee is the person leasing the space; the tenant. Although you may need to personally guarantee a lease, your business entity should be the official lessee on all documents relating to the lease.

Maintenance: Describes who is responsible for making and paying for maintenance and repairs. Most leases require tenants to pay for repairs due to "wear and tear" (common usage), with the landlord being responsible for extraordinary repairs due to major damage or failure of equipment.

Net Lease: A lease which includes the square footage costs, CAM costs, and all other ownership expenses, including utilities, repairs, insurance, and property taxes.

Options: Describes the options you may have to rent additional space in the building if it becomes available, or options to buy the property.

Parking: Describes the parking available for the leased space. Some lease documents differentiate between where employees may park and general customer parking. Make certain that the parking space conforms to ADA regulations by providing adequate handicapped parking.

Premises: Describes the space you are renting. Verify that you understand how the space is assigned and what specifically you are paying rent on.

Rent: Explains how the rent is calculated, including common area maintenance (CAM) and other costs associated with the lease. [Common terms](#) such as "gross lease" or "triple net lease" may be included here.

Subordination, nondisturbance, and attornment: Describes rights of the tenant if the landlord's lender forecloses on the property. This section protects the tenant against being ejected by a new landlord or the bank.

Taxes and insurance: Discusses who pays property taxes and insurance on the property. This section usually includes a requirement that the tenant provide proof of insurance on property and equipment in the leased space and liability insurance, to protect the landlord. Usually the tenant is required to indemnify the landlord [hold him/her harmless] in any liability suits against the tenant.

Term: Explains when the lease begins and ends. This section may also describe how the lease may be re-negotiated.

Triple Net Lease: A lease which includes all taxes, insurance, and maintenance costs in the monthly payment.

Turn-key: An office or building that is ready to occupy. In most cases, this is a commitment by the landlord to bear the cost of any build-out.

Use/Restrictions: Lists the restrictions on use of the premises, including signs, hours of use, and limits on occupancy and sub-lessees.

Utilities: If utility costs are included in the lease, it explains how they are metered and distributed among the tenants. In some cases, each tenant may have a separate meter. If the tenant is paying the utilities, this section may explain the requirement to pay utilities and what happens if they are not paid on a timely basis. This protects the landlord if the tenant fails to pay utilities.