The Playbook Dictionary

Sixty-five commercial leasing terms, defined in plain English — from LeasePlaybook™, the guide to the clauses that drive lease negotiations.

Abatement. A pause or reduction in rent. Free rent at the front of a term is abatement by concession; abatement during a casualty or a co-tenancy failure is abatement by right.

Add-on factor (load factor). The multiplier that converts usable square feet (the space inside your walls) into rentable square feet (your space plus a share of lobbies and corridors). You pay rent on rentable, so the factor is a rent term in disguise.

Anchor. The large tenant, often a grocer, department store, or major retailer, whose presence drives traffic to a project. Co-tenancy clauses exist because smaller tenants price their rent on the anchor being open.

As-is. Delivery of the premises in its existing condition, with no landlord work and no warranty. An as-is clause paired with a broad repair covenant can quietly make the tenant rebuild the landlord's building.

Assignment. A transfer of the tenant's entire interest in the lease to a new tenant. Compare sublease. Landlord consent rights, recapture rights, and profit sharing all hang off this definition.

Attornment. The tenant's promise to accept the landlord's lender, or a foreclosure buyer, as the new landlord if the loan goes bad. One of the three promises in an SNDA.

Base rent. The stated rent on page one, before operating expenses, taxes, insurance, and percentage rent are added. In most disputes it is the least disputed number in the lease.

Base year. In a full-service lease, the year whose operating expenses set the baseline; the tenant pays increases over that baseline. A low base year is an invisible rent increase.

BOMA standard. The Building Owners and Managers Association method for measuring space. Specifying a measurement standard keeps the square footage, and everything priced on it, honest.

Breakpoint. In a percentage rent clause, the sales level above which the tenant pays a share of gross sales. A natural breakpoint is the base rent divided by the percentage rate; an artificial breakpoint is whatever was negotiated.

Broom clean. The customary surrender standard: empty, swept, and free of the tenant's property and debris, ordinary wear and tear excepted.

CAM (common area maintenance). The tenant's share of the cost of operating common areas: parking, landscaping, lighting, security, and the like. The definition, exclusions, cap, and audit right decide what CAM actually costs.

Cap (expense cap). A negotiated ceiling on annual increases in operating expenses. Whether the cap is cumulative or compounded, and whether it keys to the base year or the prior year, changes the math dramatically over a ten-year term.

Casualty. Damage or destruction by fire or other peril. The casualty clause decides who restores, how long they have, when rent abates, and when either side may terminate.

Co-tenancy. A condition tying the tenant's obligations to the presence of named anchors or a minimum occupancy level. Failure typically triggers substitute rent and, if it continues, a termination right.

Concessions. The package of inducements in a deal: free rent, tenant improvement allowance, moving allowance. In a fair-market-rent renewal, whether concessions count in the comparison is worth real money.

Condemnation (eminent domain). A government taking of the property. The clause allocates the award and sets when a partial taking lets either side terminate.

Continuous operation covenant. A promise that the tenant will stay open and operating, not merely pay rent. The counterweight to a tenant's right to go dark.

Controllable expenses. The operating expenses a landlord can actually manage, as opposed to taxes, insurance, and utilities. Caps usually apply only to controllable expenses, so the definition of controllable is where the cap is won or lost.

Cure period. The time allowed to fix a default after notice before remedies begin. Monetary and non-monetary defaults usually carry different clocks.

Deemed consent / deemed approval. A provision treating silence as a yes. Valuable to a tenant when it runs against a slow landlord; dangerous when it runs against the tenant, as in some renewal-rent and estoppel provisions.

Default. A breach that has ripened into legal consequence, usually after notice and an expired cure period. The definition of default, and what counts as one, is the gateway to every landlord remedy.

Delivery condition. The state the premises must be in when handed over: shell condition, systems working, code compliance, permits signed off. A delivery checklist beats an adjective.

Escalation. A scheduled increase in base rent, stated as a percentage, a fixed step, or a CPI adjustment.

Estoppel certificate. A signed statement confirming the lease's status: rent, term, defaults, amendments. Lenders and buyers rely on it, so an error binds the tenant. Watch short return deadlines and deemed-acceptance provisions.

Exclusive (exclusive use). A covenant that the landlord will not lease space in the project to a competing use. Scope, carve-outs, and remedies decide whether it protects anything.

Exculpation. A clause limiting recovery against the landlord to the landlord's interest in the property, keeping its principals' assets out of reach. Tenants negotiate to include rents, insurance, condemnation, and sale proceeds in the pool.

Expense stop. A fixed dollar amount of operating expenses the landlord absorbs, with the tenant paying the excess. The fixed-number cousin of a base year.

Fair market rent (FMR). The renewal-rent standard meant to match the market. The definition (what market, what comparables, with or without concessions) and the determination procedure decide whose market it is.

Fixturing period. The rent-free window after delivery when the tenant builds out and stocks the space before rent commences.

Force majeure. Excuse for delay caused by events beyond a party's control. Almost never excuses the payment of rent, and should not extend the tenant's deadlines while quietly extending the landlord's.

Going dark. Ceasing operations while continuing to pay rent. The right to go dark, and the landlord's recapture right when a tenant does, are usually negotiated together.

Good-guy guaranty. A limited personal guaranty that ends when the tenant surrenders the space, current on rent, on proper notice. Common in some markets; the surrender mechanics are everything.

Gross lease (full service). A lease where the stated rent includes operating expenses and taxes, usually over a base year. Compare NNN.

Gross sales. The revenue measure for percentage rent and for sales-based tests in co-tenancy and radius clauses. The exclusions (returns, online orders, gift cards) are negotiated line by line.

Gross-up. Adjusting variable operating expenses to what they would be at full occupancy, so a tenant in a half-empty building does not carry the whole building's costs.

Guaranty. A third party's promise to answer for the tenant's obligations. Payment guaranties can be enforced immediately; collection guaranties only after the landlord exhausts remedies against the tenant. Caps, burn-downs, and release events limit the exposure.

Holdover. Remaining in possession after the term ends. Landlord forms price it at 150 to 200 percent of the final rent, plus damages; a negotiated step-up buys a cushion.

Indemnity. A promise to cover another party's losses from claims. Mutual indemnities matched to each party's negligence, paired with insurance, are the negotiated norm.

Letter of credit (LC). A bank instrument standing in for a cash security deposit. Draw conditions, replenishment, and burn-down schedules are the negotiation.

Letter of intent (LOI). The pre-lease term sheet that frames the deal. Usually non-binding as to the lease but often binding as to confidentiality and exclusivity; the leverage in every later clause is set here.

Memorandum of lease. A short recorded notice of the lease. Recording protects exclusives, options, and rights of first refusal against successors.

Mitigation. The landlord's duty to make reasonable efforts to relet after a default rather than let damages pile up. The majority rule requires it; landlord forms try to define it down.

NNN (triple net). A lease where the tenant pays base rent plus its share of taxes, insurance, and operating expenses. The exclusions from operating expenses are the tenant's protection.

Non-disturbance. The lender's promise not to terminate the lease or evict the tenant on foreclosure so long as the tenant performs. The tenant's prize in the SNDA.

Operating expenses (OpEx). The building's cost of operation passed through to tenants. The definition, the exclusion list, the cap, and the audit right are the four levers.

Percentage rent. Rent measured as a share of the tenant's gross sales above a breakpoint. Also the engine behind radius restrictions and some co-tenancy remedies.

Permitted transferee. A defined category of transferee (affiliates, merger successors, franchisees) that may take the lease without landlord consent. The most valuable sentence in the assignment clause.

Punch list. The signed list of incomplete or defective items at substantial completion. Acceptance of the space should never waive it.

Quiet enjoyment. The tenant's right to possess the premises without interference by the landlord or anyone claiming through it.

Radius restriction. A covenant that the tenant will not open a competing location within a stated distance. Measured points, carve-outs, and remedies decide its bite.

Recapture. The landlord's right to take back the premises, ending the lease, when the tenant asks to assign or sublet (or goes dark). Tenants negotiate the right to withdraw the request instead.

Rentable vs. usable square feet. Usable is the space inside your walls; rentable adds your share of common areas via the add-on factor. Rent, allowances, and pro rata shares all key to rentable.

ROFO / ROFR. Right of first offer: the landlord must offer space to you before marketing it. Right of first refusal: you may match a third party's deal after it is struck. You move first in a ROFO and last in a ROFR.

Security deposit. Cash or a letter of credit held against tenant default. Conditions for return, permitted draws, and reduction schedules are the negotiation.

SNDA. Subordination, non-disturbance, and attornment agreement: the three-way deal among tenant, landlord, and lender. The tenant subordinates and attorns; in exchange the lender agrees not to disturb the lease after foreclosure.

Sublease. A transfer of part of the tenant's interest, with the original tenant remaining on the lease. Compare assignment.

Subordination. The tenant's agreement that its lease ranks behind the lender's mortgage or trust deed. Standing alone it lets a foreclosure wipe out the lease, which is why it should never stand alone. See SNDA.

Substantial completion. The construction milestone when the space is usable for its purpose, punch-list items aside. It starts clocks: fixturing, rent commencement, sometimes the term itself.

Surrender. Returning the premises at the end of the term in the required condition. The fight is over what must be removed, what may stay, and what counts as damage versus wear.

Tenant improvement allowance (TIA). The landlord's contribution to the tenant's build-out. Draw conditions, deadlines, retainage, and what happens to unused allowance are where the money moves.

Transfer premium (excess rent). The profit when a subtenant or assignee pays more than the lease rent. Landlord forms take most of it; tenants negotiate the split and deduct their transaction costs first.

Turnkey. A build-out the landlord constructs to an agreed plan at its own cost, delivering a finished space. The plan, the spec, and the delivery date carry all the risk.

Waiver of subrogation. Each party's insurer gives up the right to sue the other party for insured losses. The cheapest risk-allocation clause in the lease, and it should always be mutual.

Work letter. The construction exhibit governing who builds what, to what spec, on what schedule, and with whose money. The lease's construction contract.
