



## Hunt's Comm'l. Real Estate / "Lease Abstracts"

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Q: We have just signed a lease for our business. Aside from important dates, such as the lease expiration, what else should be included in a lease abstract?

A: Probably the last thing on a tenant or landlord's mind at the successful completion and execution of lease negotiation is additional paperwork. But there is one last item on the checklist that should be done at the completion of every successful lease - the lease abstract. A lease abstract is a detailed summary of the salient facts of the deal, usually on a single sheet or two. It will provide the essential details of a transaction long after the terms are forgotten by the parties who negotiated them.

A lease abstract is not a frivolous paperwork chore. It is a powerful tool to help administrate and audit a lease during its term. Today's commercial lease can easily number 50 pages or more. Even with an index, tracking down essential information and critical red-letter dates can be a time-consuming chore that is often the victim of procrastination. What are the essentials of a lease abstract? Whether you administer one lease or hundreds, the elements of a good lease abstracts are the same:

### Identification of the transaction

The premises, the parties, counsel for both sides, brokers, and/or legal notification recipients, and addresses, as necessary.

### Dates

Dates are so important that it is a good idea to put them at the top of the page, perhaps in a highlighted box. One date that is often overlooked is the commencement date. On the surface this date would seem to be an obvious one, but in many leases this date is dependent on completion of work by the landlord, and not so obvious five years later.

A red-letter date is a critical date that if ignored, could lead to dire circumstances to the lease party. The most obvious is an option date, or a lease expiration date. It is a good idea to have several reminder dates of an upcoming red-letter date. You do not want to be reminded of an option date one week before the last day it can be exercised. So decide how much lead time you need to make an intelligent decision.

Your dates are only as good as your tickler system. Make sure yours is reliable. As a backup, it is a good idea to make sure your attorney and broker are also tickling these dates as backup.

### Size of the premises

Rentable and useable square footage, loss factor, percentage of the building occupied.

### Rent and Additional Rent

A rent schedule should be prepared as well as a clear description of how lease escalations and additional rent will be calculated. What does the rent include? What is considered additional rent?

Security deposits should also be detailed.

## Obligations

Any obligations by either party should be succinctly summarized. This can be anything from maintenance obligations to rent escalation calculations.

You should also include any other details that may be important to you and your financial interests in the premises. And with all entries in a lease abstract, it is important that any narrative language be free of "legalese" and reasonably understandable to the lay reader. You probably spent well over a month negotiating and executing a lease. Spending another hour or two to create a lease abstract is a powerful way to preserve your work!

Do you have a question regarding commercial real estate? Email your question to Commercial Real Estate Q & A, at [email@huntcorp.com](mailto:email@huntcorp.com) for possible inclusion in a future column.

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