



Lease Abstracting Basics

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Overview of Lease Abstracting

The key to a valuable lease abstract is to keep things short and simple. An abstract should be like a "road map" to a document. It should provide a summary of selected lease information and direct the reader where to obtain further information. A good abstract database, then acts to help the user know the similar characteristics within a portfolio of leases, helping the administrator plan and execute lease related activities. Attempting to summarize just the key points and bring to the readers attention any issues that our outside the norm that require some action.

1) What is a lease abstract?

Simply put, a lease abstract is a summary of key business information in a commercial real estate lease.

2) What is the purpose of a lease abstract?

1) A lease abstract provides a single point of summary and document references of periodically referenced lease information from a lease and lease modifications. This "road map" of the lease allows a lease administrator, leasing agent, property or maintenance manager to review frequently referenced lease information without having to take time perusing a lease (or potentially all amendments or other modifications) to find needed information.

2) Lease abstracts also allows the aggregation of critical lease information such as expiration and option notice dates to better manage a portfolio of leases. This is particularly important when dealing with a variety of lease formats such as when administering leases from a tenant's perspective.

3) What lease information should be abstracted?

At a minimum, an abstract should contain the most important "dates and dollars" components of the lease such as Commencement, Expiration, Renewal Term and Renewal Notice and other key Option Dates and rents and square footages in connection with the timing and amounts of rents due under the lease. While many software accounting programs allow tracking of rent related dates such as increases and expirations, they often fall short on addressing critical dates such as renewal notices, right of first offer or refusals, etc.

While it depends on individual needs of the user and is largely dictated by the complexity of the documents, I mostly commonly see abstracts from one to three pages (8-1/2" X 11") in length maximum. Any longer than that, and it tends to defeat the purpose of abstracting.

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4) When should a lease be abstracted?

Generally, an abstract should be done when a new fully executed lease is received, or an abstract modified when a lease is modified in some aspect. Often, leases are abstract "en masse" when the user converts to a new property management software system, the property changes management or is considered for sale. Sometimes, existing lease data, which has been deemed as credible can be verified or enhanced with other pertinent lease information not previously abstracted. Often, well crafted abstracts are a natural and deal predecessor to help identify potential candidates for audit.

5) What steps should be taken when planning an abstracting project?

There are 3 main areas to focus on to maximize the value of abstracting your leases. These steps prior to abstracting the leases can significantly speed up the abstracting time and thus cost and turn around time.

A) Purpose and Planning

Decide what information from the leases will help you more efficiently manage your lease administration functions. In addition to critical information such as dates (expiration, option notice dates, rent increases, etc) and dollars (rent, escalations, tenant allowances), what is the primary function of the information. Is it facility management? leasing? investment modeling?

Remember that the more information that is requested, the more time (and money) will be required to obtain the information, be specific about your the information you need. If you ask for Assignment and Subletting (without further direction) your descriptions may range from one sentence to a mini-novel. If you specifically want to know what is required to assign to an affiliate? Is the Landlord entitled to any excess rent from a transfer? Does Landlord have recapture rights? These are questions that need to be answered as part of the planning process, not while it is underway.

Think about information that you frequently retrieve from the lease files that would be beneficial to have in a single location to better organize and prioritize what information would assist you in operating a more efficient portfolio.

B) Organization

Make sure that lease files are up to date and organized. Typically, an ideal lease file is organized in reverse chronological order (most recent on top) separated into sections for: A) Lease Documents (Amendments, Extension Agreements, etc., basically anything that legally modifies the agreement between the Landlord and Tenant). B) Billing file (invoicing, statements, escalation calculations) C) Correspondence (letters, notes regarding the lease)



C) Lease Tracking System

Devise a lease ID system to categorize and track leases, if you don't already have one. A common system for multi-state portfolios is using the 2 digit state postal abbreviation "NY" , followed by a 2 or 3 digit number "001" with an extension to identify subleases (income) or other unique situation. Or, if you are representing the Landlord's interests in a single building, you may assign want to the Suite # as the primary ID, such as "212" followed by an abbreviation for the building, so suite 212 in One Main Street might be "212OneMainSt" or something. You get the point, the key is logic and consistency.

6) Lease Abstracting Resources

A) Document References

Document references in lease abstracts are very important to accurately identify the location within an referenced document .

I am not aware of any published industry standards with regard to abbreviations or classifications established for lease abstracts.

Following are some general guidelines I have compiled from abstracting thousands of leases on a variety of forms and clients along with my own preferences.

1) Document (L = Lease; A = Amendment (not specified or first) 1A = First Amendment, 2A = Second Amendment (3A = Third Amendment and so on....); E = Estoppel; G = Guaranty; SL = Sublease; ML = Master Lease)

2) Page Number (followed by a "/")

3) Article or Section Number or Letter

For example, a reference in the **Lease, Page 3, Article 3** is **(L3/3)**;

a reference in an **Estoppel, Page 2, Section 7** becomes **(E2/7)**;

a reference in the **Third Amendment, page 15, Article 14.04** becomes **(3A15/14.04)** and so on.



B) Common Abbreviations

Below is a list of abbreviations used in abstracts with the corresponding meaning.

T = Tenant Other Names: Lessee (pronounced Less-ee)

LL = Landlord Other Names: Lessor (pronounced Less-or)

MLL = Master Landlord Other Common Abbreviations

SF = Square Feet

PSF = Per Square Foot

RSF = Rentable Square

USF = Usable Square Foot

N/A = Not Applicable or Not Available (sometimes NA)

NS = Not Specified or Not Stated



Sample Lease Clauses

Lease Clause (alternate names)	Typical Issues Abstracted	Sample Clause Abstract
Alterations	Landlord consent required	LL consent, which shall not be unreasonably withheld, is required for alterations in excess of \$10,000 per year.
Assignment & Subletting	LL consent required Prior notice period to LL LL's Recapture Rights Transfer to an Affiliate Administrative Charges	LL consent, which shall not be unreasonably withheld, is required to assign or sublet, except to an Affiliate of T. T to give LL 30 days prior notice of a proposed transfer. LL has termination rights. T to reimburse LL for its attorney fees up to \$500 per transfer.
Condemnation (Appropriation, Expropriation, Eminent Domain)	Reference location only	
Damage & Destruction (Fire and Casualty, Untenantability)	Reference location only	
Default	Monetary and Non Monetary Default cure periods and whether Notice is required.	Monetary cure period of 5 days after LL's notice; Non Monetary cure period of 30 days after LL's notice.
Estoppel (Offset Statement, Evidence of Term and Rent, Verification)	Time period either party (usually only T is specified) has to provide an Estoppel	T to furnish an Estoppel within 15 days of LL's request.
Holdover (Overholder)	Type of Tenancy Rental Rate Time period and party to terminate	Month-to-month tenancy at 150% of Rent at expiration. LL or T may terminate with 30 days prior notice to the other party.

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Insurance	T Insurance limits for 1) liability and property damage and 2) fire and extended (casualty) coverage for improvements and Premises (if any). Party responsible and coverage for the Premises. Additional Insured parties and Notice of Cancellation Days.	T to maintain liability coverage of \$1,000,000 for accident, \$3,000,000 per occurrence and \$500,000 property damage; fire and extended coverage for 80% of the replacement value of T's property and improvements. LL to be named as an additional insured. 30 days notice of cancellation.
Late Charge	Late charge penalty and grace period, if any, before assessment. Late interest rate and grace period, if any, before assessment.	Late charge of 5% of unpaid rent if not paid within 10 days of the due date, plus 12% interest per annum from the due date until paid.
Notice	Methods of formal notices	Notice by certified mail, return receipt requested and receipted overnight mail.
Repairs	T and LL (usually abstracted as separate clauses) respective repair and maintenance obligations of the Premises.	T to repair and maintain the Premises including exposed plumbing, electrical and interior walls, doors and windows. LL to maintain the structure, foundation, roof and exterior walls of the Premises.
Subordination, Non-Disturbance and Attornment (SNDA)	T's obligations, and time period to provide subordination documentation.	T to provide documentation of subordination within 10 days of LL's request.
Tenant Improvement Allowance (Tenant Fit-up, Tenant Work Letter, Tenant Build-Out)	Amount of Allowance and nature of areas allowed for use of TIA	LL to provide TI Allowance of up to \$35,000 for T's improvements to the Premises and related plan and engineering fees.
Turnover (Surrender, Move-Out)	T's obligations with regard to making repairs, removing any T improvements upon returning Premises to the LL.	T to surrender the Premises upon Lease termination in the same condition as received, normal wear and tear excepted.
Use (Permitted Use)	Permitted Use, Exclusive or Restricted Uses T has in the Premises.	General office and administrative use only.