

WHITE PAPERS

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"Gross Up" Provisions in Office Leases

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Stated simply, the concept of “gross up” is that, when calculating a tenant’s share of operating expenses for an office building that is less than fully occupied, the landlord first increases - or “grosses up” - those operating expenses that vary with occupancy (e.g., utilities, janitorial service, etc.) to the amount that such expenses would have been if the building were fully occupied. (In practice, “gross up” provisions are typically negotiated to reflect only 90-95% occupancy; however, for simplicity this discussion will consider only 100% occupancy.)

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