

## “What Is Percentage Rent, and Why Is It Beneficial?” Speaker: Sandy Buchko, Barclay Damon | October 8, 2024

Did you know that percentage rent is often believed to be just a benefit to the landlord for having a successful shopping center?

Hi, my name is Sandy Buchko, and this is a *Must Know Minute*.

The reality is that percentage rent is a benefit to both landlord and tenant and plays a very important role in the relationship between the two parties.

What is percentage rent? Percentage rent is a percentage of the gross sales paid by the tenant to the landlord in lieu of base rent or in addition to base rent through the term of the lease. It's a tool that can benefit both landlords and tenants together, and one that we foresee staying in the retail leasing industry indefinitely,

Some landlords may offer a new tenant or struggling tenant a percentage-rent-only deal just for a short period of time, and then the rent structure will convert back to a traditional standard retail market rent.

The questions you may be asking yourself include at what point does the break-even point hit for that specific tenant when you can convert them back to the market rent deal? Or what percentage rent is fair to charge a tenant?

The answer varies from tenant to tenant, and is more accurately determined by the specific use of that tenant.

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