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Cell Tower Lease Escalations: What Tower Companies' Own Filings Show

A primary-source examination of escalation structures, portfolio disclosures, and long-term lease economics.

RESEARCH FOCUS

Cell Tower Lease Economics

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A primary-source look at how escalation affects long-term lease economics - and what public-company disclosures can and cannot tell a property owner.

Despite telecommunications becoming an increasingly important part of modern real estate infrastructure, there is still a shroud of obscurity surrounding the economics of cell towers. Property owners may understand that a tower or rooftop installation generates rent, but determining whether the economics of a proposed lease are actually competitive is considerably more difficult.

The annual rent escalator is a good example. At face value, a 3% annual increase can look like a guaranteed premium built into the lease. Over a long enough period, however, the escalator becomes much more than an annual cost-of-living adjustment. Compounding can materially change the income generated by the property and should be considered alongside the starting rent, lease term, renewal options, termination rights, and other provisions affecting the economics of the agreement.

For property owners and asset managers, the difficulty is finding reliable market evidence. Private cell tower leases are not collected in a centralized database, and their economic terms are rarely disclosed publicly. Public filings from major tower companies therefore provide an unusual window into how portions of the industry are structured.

What the Public Filings Actually Tell Us

The economics of a cell tower site can involve multiple contractual relationships. A tower company may lease the underlying ground or rooftop rights from a property owner and then lease space on its infrastructure to wireless carriers. The tower company therefore has lease economics on both sides of the transaction: rent paid for the underlying real estate and rent collected from its wireless tenants.

That distinction is useful when reviewing public disclosures because the two should not be treated as interchangeable benchmarks.

American Tower has disclosed average fixed escalators of approximately 3% on its U.S. tenant leases. Those leases generally represent rent collected from wireless carriers occupying American Tower infrastructure (American Tower Corporation).

Historical disclosures from SBA Communications provide additional context. SBA has described ground-lease escalators generally within an approximately 2% to 3% range while separately describing tenant-lease escalators in approximately a 3% to 4% range (SBA Communications Corporation).

These disclosures do not tell a property owner what escalation rate a particular site should receive. They do, however, give us primary-source evidence about how large tower companies structure portions of their lease portfolios - and establish an important limitation when interpreting industry benchmarks.

A portfolio average is context. It is not a comparable.

Why One Percentage Point Matters

Consider a simplified cell tower ground lease beginning at $2,000 per month. The starting rent remains identical in every scenario; only the annual escalation changes.

ANNUAL ESCALATION	MONTHLY RENT IN YEAR 30	APPROX. 30-YEAR RENT
0%	$2,000	$720,000
1.5%	$3,061	$903,000
2.0%	$3,547	$983,000
2.5%	$4,095	~$1.07M
3.0%	$4,706	$1.16M

Illustrative contractual cash flows only. Figures are not estimates of market rent or property value.

In this example, the difference between a 2% and 3% annual escalation exceeds $180,000 over 30 years. The difference becomes larger as starting rent, duration, or the spread between escalation rates increases.

This is why the annual escalator deserves more attention than its size initially suggests. A single percentage point may appear immaterial during the first few years of a lease but become increasingly consequential as the income stream compounds.

A 3% Escalator Does Not Automatically Make a Good Lease

There is a temptation to reduce lease negotiations to a single benchmark: Is 3% good? Is 2% bad? What percentage does everyone else get? That misses the larger economic picture.

A 3% escalator attached to weak starting rent does not automatically produce a competitive lease. Likewise, a lower escalator attached to substantially stronger starting economics may produce more income for many years.

The escalation therefore needs to be modeled within the entire contractual structure. A property owner should understand the initial rent, escalation, non-cancellable term, renewal options, termination rights, expansion rights, co-location provisions, access requirements, utility rights, and the amount of real estate being encumbered.

Renewal options deserve particular attention. A lease containing an initial term followed by several five-year renewal options may appear to provide decades of income. But those options need to be considered alongside who controls them and any termination rights available to the tenant.

The same principle applies to expansion and co-location provisions. Additional equipment, ground area, or carrier occupancy may increase the economic productivity of the site. Whether the property owner participates in that additional value depends on the agreement.

In other words, the escalator is important, but it is still only one piece of the lease.

The Missing Variable: Comparable Evidence

This is where cell tower leasing begins to look much more like traditional real estate analysis.

There is no transparent national database containing the economic terms of private cell-site leases. Public tower-company filings provide portfolio-level information, but they generally cannot tell an individual property owner whether the proposed economics for a particular site are competitive. That requires comparable evidence.

A rooftop installation in a dense urban market should not automatically be compared with a rural ground lease simply because both support telecommunications equipment. Location, alternative sites, entitlement difficulty, infrastructure, network importance, available land, redevelopment constraints, and co-location potential can all affect the negotiating position of the parties.

Public property owners may provide one avenue for developing better market evidence because government lease agreements, meeting records, rent schedules, and related documents can sometimes be obtained through public records. Building a larger body of auditable lease evidence could provide considerably more context than relying on frequently repeated national 'average' figures.

Until then, a portfolio-level disclosure should be treated for what it is: a reference point, not a conclusion.

What Should a Property Owner Actually Evaluate?

Rather than beginning with the question, What is the standard escalator? an owner or asset manager can begin with a more useful set of questions:

• What income does the proposed lease generate over the period I can reasonably model?

• How does changing the escalation rate affect that income?

• Who controls the renewal options?

• Can the tenant terminate before those options are exercised?

• What additional rights am I granting over the property?

• Could those rights interfere with redevelopment or another future use?

• Are there comparable sites with sufficiently similar characteristics to provide meaningful market context?

Those questions move the analysis away from a single percentage and toward the economics of the actual asset.

Mirror Point Research View

The escalator deserves to be modeled, not guessed.

A property owner or asset manager can calculate what competing escalation structures do to the lease's cash flow over the non-cancellable term and potential renewal periods. From there, the result can be considered alongside the starting rent, contractual rights, physical characteristics of the site, alternative locations, and whatever comparable evidence is available.

Public-company filings help establish context because they provide one of the few auditable windows into the economics of large tower portfolios. They cannot determine whether a specific lease is competitive without understanding the property sitting underneath it.

For owners, that distinction matters. The objective is not simply to negotiate the largest percentage printed on the lease. The objective is to understand the economics of the agreement being attached to the property.

Works Cited

American Tower Corporation. Annual Report (Form 10-K), Fiscal Year Ended 31 December 2025. U.S. Securities and Exchange Commission, 2026.

SBA Communications Corporation. Annual Report (Form 10-K), Fiscal Year Ended 31 December 2025. U.S. Securities and Exchange Commission, 2026.