Case Study #8
Lease Audit Creates Leverage For Tenant When Property Is Being Sold

Project Outline

A tenant leased approximately 70,000 square feet of the space in a 750,000 square foot office Building. As part of its' fiduciary responsibilities to its stockholders, the tenant opted to have the operating expenses audited. The building was under agreement to be sold, and was in the early stages of the due diligence process.

PSA Added Value

PSA explained how an audit would identify any potential overcharges and create leverage for the tenant, as a prospective buyer of the property would require an estoppel certificate from a tenant of this size. The audit revealed three major areas of concern where the owner i)overcharged the tenant for expensive building amenities, which per the lease were an owner's expense, ii)overcharged the tenant for the rental of the management office at twice the market rate and iii)billed the tenant for external audit and tax preparation fees required by ownership agreement documents.

PSA Results

PSA identified nearly $186,000 in expenses to the property not permitted by the lease. The tenant received an immediate reimbursement of approximately $16,000 for the year in question. More importantly, the tenant added language to the estoppel concerning these specific audit findings, so that the new owner would not charge them for these expenses during the remaining six years of the lease, thus saving them an additional $96,000.

Total Savings - $112,000