

Insider's View To Corporate Real Estate

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What You Need To Know About The Office Lease Clause That Can Cost Your Company Millions of Dollars

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Landlords billed a tenant for this and were permitted to do so under the terms of their office leases. Find out what it is and how we reduced these invoices by more than \$2 million.

If you have a restoration or reinstatement clause in your office lease(s), beware of the financial consequences! This means your space must be restored to an agreed condition at the end of the lease term. While there are some exceptions (such as non-standard improvements or alterations), most domestic office leases simply require the space to be provided back to the landlord in broom clean condition and in good order and repair, except for ordinary wear and tear. This typically results in the need for little restoration, if any.

By comparison, international office leases customarily hold the tenant to a significantly higher standard of restoration which is far more expensive. In the UK for example, commercial tenants are required to restore (reinstate) back to the same condition as was found on the lease commencement date, which is often supported by a photographic schedule attached to the lease document. On the lease expiration or earlier exit, the landlord will serve the tenant with a detailed schedule of dilapidations identifying the repairs and items to be replaced, along with the associated costs.

Since mistakes and overcharging are possible, we strongly advise our clients to carefully scrutinize the restoration (reinstatement) schedule to ensure it reflects the tenant's responsibilities as set forth in the lease. When we have done so recently for a client in London, our in-depth analysis and skillful negotiations resulted in more than \$2 million in restoration cost savings for a Fortune 500 client.

About the Author

Carrie S. Holstead is the founder, president and CEO of the longest established tenant representation firm in Pittsburgh, Pennsylvania, and is the chairman emeritus of ITRA Global, one of the largest organizations in the world dedicated to representing users of corporate real estate, with experience in nearly 300 markets around the world. If your company has a local or global corporate real estate need(s), including expanding, contracting, merging, relocating or renewing one or a portfolio of office leases, contact Carrie Holstead at +1.412.833.1030. To receive the Insider's View To Corporate Real Estate electronically, sign up for the newsletter at www.carrieholstead.com.

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