Your 2020 operating costs have likely increased. Conducting a Lease Audit will help ensure you aren't overpaying.

By now, your Landlord should have provided your 2020 year-end Additional Rent reconciliation statement as well as their 2021 estimates – and odds are it is not what you expected.

The COVID-19 pandemic has created a misaligned set of expectations around operating costs.

In response to the COVID-19 pandemic, coupled with new provincial government mandates, Landlords have implemented several cleaning and safety measures. These include enhanced cleaning protocols, added social distancing signage and updated air filtration systems, to name a few. These safety measures drive up costs – and Landlords are looking to push these costs on to their Tenants.

Across Canada, offices are largely sitting empty, as Tenants work from home and vacancy rates continue to rise. With fewer Tenants using their space, Landlords ought to be-experiencing decreases in Operating Costs for items such as repairs and maintenance, utility consumption and security. Tenants are expecting costs to decrease, yet many are finding the opposite to be the case.

Understanding your rights as a Tenant versus what the Landlord is able to charge back is paramount.

Changes to the language in leases

According to most leases, Landlords have the right to make adjustments in their calculation methodology which can increase or decrease operating costs, if they determine it is reasonable to do so. As a Tenant, it is crucial to look at the language in your lease to understand the rights required to challenge the Landlord's determination of Additional Rents. In many leases, Tenants only have a limited amount of time to ask for support documents/information from the Landlord.

Understanding your rights, based on your specific lease, is important, particularly if you are being charged more than your appropriate share as per your lease. So, reading the fine print and being timely in terms of requesting and reviewing the Landlord's support materials is more important now more than ever.

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Why do a Lease Audit?

This year is different from years past. The pandemic has forced new practices and procedures around how Landlords operate their buildings. And these increased costs will inevitably be passed down to Tenants.

Are you certain the allocation of costs is being calculated correctly? Do you have a baseline for costs to compare against? Is the landlord appropriately passing COVID related costs to the Tenants? Are you being negatively impacted because of increasing vacancy and fewer Tenants for the Landlord to recoup its costs against?

As your workspace continues to be underutilized, isn't it time to get a second opinion on your lease, to ensure every penny is accounted for?

How the Lease Audit process works

A lease audit is an invaluable tool to identify billing errors that often occur in commercial real estate leases. By reviewing your unique lease documents and the Landlord's year end reconciliation, you can assess whether your company is paying your property owner more money than is legitimately due.

Cresa's Lease Auditors perform a detailed analysis and year end reconciliation of your Landlord's invoices, to ensure compliance with the lease terms you agreed to. They also do a historic review of prior year-end adjustments to determine if you are entitled to a refund or are obligated to make up the shortfall to the Landlord.

The financial benefit of a Lease Audit

Lease Audits are not only about recovering past refunds. A thorough Lease Audit can create future savings by ensuring the Landlord does not repeat prior practices that cannot be justified.

This means real savings that stay with you – where it belongs.

Whether this is your first time conducting a lease audit, or you have engaged in a lease audit previously, this is a crucial year to initiate the practice. For more information on the process, please reach out to your Cresa Advisor.