## AND SUDDENLY, YOU OWE YOUR LANDLORD \$250,000



This one will shock you!
It's profoundly serious - please read to the ending.
The doctor signed a premise lease and set up a de novo practice.
Now, 10 years later, it's renewal time.
This is a high profile, high rent location. There is no reason to move this office - it's a fabulous set up!
At the initial stage of the offer to lease negotiation (not the actual Lease, just the offer to lease) it was estimated that the space would be 1,762 square feet.

We have no idea who produced that figure. Likely that some lazy real estate agent just took a guess as they were in a hurry to sign a doctor and make a commission. Doctors are the most coveted tenants in the retail sector.

Most leases contain a clause for the certification of the occupiable space "as built" which determines the square footage.
Last week it was discovered that no one bothered to accurately measure the finished space.
Typically, a professional engineer certifies the drawings with their P. Eng stamp.

CORPORATION
brokerage / Courtage

Prudent landlords wait until you finish building out your office and then seek to verify the actual size of the suite using their engineer because the suite may be larger than first anticipated and landlords want their rent! Rent for every inch of their property that you occupy!

And then... wait for it....
We discovered that the actual size of this suite is 2,058 square feet.


That also means 17\% MORE rent is due and payable!
For the last 10 years!
It's entirely possible that the building inspector insisted on a last-minute change to the floor
 plan to accommodate the handicapped access and bathroom and that's how the suite got so much larger.
What now, you ask? Say nothing and cross your fingers? Not a promising idea. Here's why...
Our client has been underpaying rent for 296 square feet for 10 years.
At $\$ 85$ per square foot (gross rent + HST), the current shortfall in rent owed to the landlord is $\$ 250,000$.
This client is now the proud owner of a contingent liability
If you buy this practice and the lease is subsequently measured by the landlord, you will be issued a back-due rent invoice exceeding $\$ 250,000$.

This rent is then payable immediately due to the occupancy being in the name of the dental corporation which you purchased! Contingent liabilities like this cannot be erased.

Your lawyer will be oblivious at time of purchase because a liability of this nature does not show up in PPSA registrations thus it is a blind liability of the professional corporation.

Your bank would be reluctant to advance a sudden $\$ 250,000$ loan for a historical operating cost - one that you did not occur.
Your accountant will be embarrassed as this was not known when they performed their due diligence.

## And you will have to pay the rent or be evicted!

For those thinking of selling, it's time to have your premises leases professionally reviewed and move away from relying on outdated tape measure methods.

1. Do you know, for certain, the square footage of your suite?
2. Is the figure "certified" by an engineer?
3. Did you or your landlord ever have your suite professionally measured?

If you cannot answer these questions, someone else can.
I suggest www.realtyleaseconsultant.com
Would a professional practice Appraiser and Broker have known, or should they have known?
So many questions....


CORPORATION


PS ROI Corporation once occupied an office and after 7 years found out I was overpaying! I moved and got a cheque for over $\$ 25,000$ ! It can happen to the best of us...

PSS Can anyone tell me why we still use Sq. Ft. in Canada - a Metric nation?

TEXT me @ (416) 520-7420


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