

## **URGENT UPDATE: NEW LEASE CLAUSE COULD THREATEN PRACTICE VALUE AND STABILITY**



A major real estate investment trust has introduced a lease clause that could drastically undermine the value and stability of professional practices. If signed, this provision poses a critical threat to any tenant's continuity, financial health, and future business valuations.

Here is what's at stake and why it is essential to stay informed.

### **The New Clause Explained**

This real estate trust is securing rights to expand its properties, whether that means enlarging a plaza, mall, or building. While landlords commonly expand for additional revenue, these unfamiliar terms are unusually severe for tenants.

#### **Key Conditions Tenants Should Know:**

1. Termination Rights for Expansion: Landlords can terminate a tenant's lease if they choose to add new leasable spaces.
2. Structural Modifications and Lease Termination: Adding structural elements, like new elevator shafts or columns, could also lead to lease termination – affecting non-ground floor suites.



3. **Mandatory Cessation of Business:** Tenants must completely cease business operations during any construction, meaning a full halt to revenue.
4. **Premises Vacating:** Tenants may need to vacate parts or all their premises on short notice to make way for the landlord's plans.
5. **Limited Recourse for Tenants:** In the event of termination, tenants can choose to terminate their lease within 30 days, but this offers little relief given the upheaval involved.



### **Compensation? None.**

This clause offers zero financial support: no relocation assistance, reimbursement, or aid for business disruption. Tenants are expected to absorb these disruptions entirely on their own.

Realty Lease Consultant Ian Toms has said, “This is a completely new approach we’ve never seen before.” Relocation and demolition clauses have existed, but

this sweeping termination right—with zero compensation and a mere 30-day notice—marks a concerning shift.

### **Potential Impacts on Practice Value**

If these terms become standard, they could devastate practice valuations. Securing financing or attracting buyers could become impossible. For those planning to sell, these conditions could sharply reduce practice value and make exit planning a major challenge.

### **Our Recommendation: Immediate Action**

If you have not reviewed your premises lease recently, now is the time. A professional review can help identify and mitigate risks hidden within these complex clauses.

**Want to know more? TEXT me @ (416) 520-7420.**

Stay vigilant, protect your practice.

Written by:



Timothy A. Brown,  
FRI, CEO & Broker of  
Record



roicorp.com