



Lease Audits Reduce Operating Costs

International Tenant Representative Alliance provides real estate services to corporate tenants and users of commercial real estate.

(PRWEB) March 8, 2010 -- According to the International Tenant Representative Alliance (ITRA), whose members specialize in tenant representation (<http://www.itraglobal.com/services.cfm>), most commercial tenants have received 2009 expense reconciliation statements of operating expenses and taxes from their landlords. Typically, tenants have 30-60 days after receiving these statements to give notice to the landlord if they wish to perform an audit. If a company is leasing office space (<http://www.itraglobal.com/>), industrial space (<http://www.itraglobal.com/offices-us.cfm>), warehouse or other commercial real estate, now is the time to determine if the landlord is over-charging for expenses by performing a lease audit.

For many commercial real estate (http://www.itraglobal.com/dynamic_files/What_You_Dont_Know-Issue_XXIV.pdf) tenants, rent is the second largest operating expense after personnel costs. Auditing the landlord's expenses provides confidence that these costs are being properly billed. Not all tenants need to audit lease expenses annually, but here are a few examples of situations that could trigger an audit::

1. If a gross-lease was executed in 2009, the tenant will have only one opportunity to audit the base year (2009) expenses. If a tenant waives this right, they may be overbilled for all ensuing years due to a landlord understating the base year expenses. Even a tenant with a net-lease signed in 2009, while these don't typically have a base year dollar amount, should consider an audit to verify they are only being charged for permitted expenses.
2. Landlords of mixed-use properties routinely overcharge tenants for operating expenses and real estate taxes, because the landlord allocates expenses to the various components of the complex using methods which don't reflect the actual usage of services by each component. Substantial operating expense increases often signals that a landlord has improperly calculated the expenses. A tenant should look at specific line items of expense when reviewing the year-to-year increases.
3. Buildings in which landlords have expended major capital on building systems, exteriors or common areas certainly should be considered as an audit target. The lease should dictate if such capital expenditures are permissible.
4. The gross-up of expenses is addressed in most leases and if applied properly is fair to both the tenant and the landlord. When a building has high vacancy, a landlord can make significant errors when applying this gross-up adjustment which negatively impacts a tenant's share of the annual operating expenses, resulting in the tenant paying too much.

Paul Stevens, ITRA's lease audit specialist stated, "tenants should protect themselves by hiring a professional lease auditor to review their lease and operating expenses to determine if they are being fairly charged. Many tenants have found, by being proactive, they have been able to save thousands of dollars over the term of their lease."

ITRA is a leading regional, national and international corporate real estate (<http://www.itraglobal.com/about.cfm>) advisory firm exclusively serving the needs of office, industrial, manufacturing, and retail tenants. For more information on this topic call (888) 925-4872 or visit www.itraglobal.com.

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