

## Critical Elements of Tenant Estoppel Letters [Lowndes Leasing Lawyers]

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Shareholder Gary Kaleita discusses the importance of obtaining tenant estoppel letters when buying leased property.

If you are an investor buying a leased property, you are undoubtedly looking to the rental income as the return on your investment, in addition to the appreciation in the value of the property that is likely to occur over time. Your primary focus is probably the amount of rent being paid, but there are other aspects of a lease that are important to consider.

A prudent buyer will not only review all leases in detail but will also want tenants to provide estoppel letters addressing whether potential issues exist under their leases that would adversely affect the buyer after closing. Because of this, a buyer often includes in the purchase contract a requirement for the seller to obtain acceptable estoppel letters as a condition to the buyer's obligation to close. If multiple leases exist, the buyer may be willing to get estoppel letters from only a percentage of

tenants, or only from specific ones whose leases are considered critical, or a combination of both. These points will be negotiated in the purchase contract, along with what it means for a tenant's estoppel letter to be considered "acceptable" to the buyer.

Of course, there is no guarantee that tenants will give estoppel letters, even if required by their leases, so a seller will generally only agree to use commercially reasonable efforts to obtain them. If a lease includes as an exhibit a form of estoppel letter that the tenant has agreed to give upon request, that is what the buyer can expect. If the lease does not include such a form, the buyer should provide a form for the seller to send to the tenants. [Read more]

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