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# **Doron F. Eghbali Commercial Leasing Law**

## **[What Does Estoppel Certificate Encompass in Commercial Properties?](#)**

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Estoppel Certificates serve a salient purpose to landlords, lenders and potential buyers of commercial property. Let us explore the salience and legal effect of such Certificates to some extent and further educate ourselves about them.

### **WHAT IS A ESTOPPEL CERTIFICATE?**

An Estoppel Certificate is a signed statement by tenant or landlord certifying certain information as to the commercial premises. Estoppel Certificate is often required by lenders or potential buyers in refinancing or sale of commercial properties. In addition, it is possible for tenants to use Estoppel Certificates while seeking transfer of their interest under the lease, if possible.

Estoppel Certificates could literally derail a potential sale or refinancing, as lenders or buyers dissect the enclosed information as to the viability or liability of the building.

### **WHAT IS THE SALIENCE OF ESTOPPEL CERTIFICATE?**

Estoppel Certificate provides some clarification and confirmation to interested parties in sale, refinancing or, to a lesser extent, transfer of commercial properties. The information to be provided on an Estoppel Certificate includes, but not limited to the following:

- Clarify Whether the Lease Still is Enforceable or Not
- Clarify Whether the Lease Contains any Changes, Amendments, Modifications, Assignments or Not
- Clarify Whether the Lease Contains any Defaults
- Clarify What the Lease' Essential Terms and Provisions Are, Such As: The Amount of Rent, The Place of Rent, The Rights Under the Lease Bestowed on Tenant(s).



Hence, by seeking such information, the most salient questions tends to become clearer, i.e. how much money is the property making? What are the existing or potential problems? The following lists some potential pitfalls for lender or potential buyer:

- Whether The Tenant is Solvent.
- Whether There are Still Renewal Option for the Property and Whether Such Rights have or Are Being Exercised.
- Whether There Are any Violations of the Lease Agreement.
- Whether There Are Any Security Deposits, How Much They Are and Where They Are, If Possible.

### **SALIENT NOTE**

Given the salience of Estoppel Certificate, most leases contain a clause obligating tenant to provide it when requested. It might be possible for the tenant to negotiate a clause which obligates the landlord to provide the same document when and if tenant reasonably requests.

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