Tenant Estoppel Certificates - Small Documents, Big Consequences



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By James A. Landon

Imagine a commercial property sale approaching closing. The rent roll shows a tenant paying full rent, and the seller reports that the lease is in good standing. Then the tenant returns its estoppel certificate and identifies an unpaid improvement allowance and a disputed rent credit. Suddenly, the buyer's understanding of the property's income and obligations changes. The certificate did not create the discrepancy. It exposed it. That is precisely why tenant estoppel certificates deserve attention well before the closing checklist reaches its final page. In a sale or refinancing, an estoppel certificate gives a buyer or lender the tenant's written confirmation of specified facts about its lease. For owners, it is an opportunity to identify and resolve issues early. For tenants, it is a document that can affect their ability to assert a different position later. For buyers and lenders, it is an important part of verifying the transaction they are about to fund.

What is a Tenant Estoppel Certificate?

A tenant estoppel certificate is a written statement signed by a tenant confirming certain facts concerning its lease and relationship with the landlord. It is most commonly requested in connection with the sale or refinancing of commercial real estate, allowing a prospective purchaser or mortgage lender to verify important lease information directly with the tenant.

The certificate generally confirms the existence and status of the lease, the rent payable, the lease term, and whether there are outstanding obligations or disputes between the landlord and tenant. Unlike the lease itself, which establishes the parties' contractual rights and obligations, the estoppel certificate confirms the tenant's understanding of those rights and obligations as of a particular date.

The term "estoppel" refers to a legal principle that may prevent a party from taking a position inconsistent with an earlier representation upon which another party reasonably relied. Accordingly, statements made in an estoppel certificate may have legal consequences beyond simply providing information to a purchaser or lender.

What the Certificate Confirms

A typical certificate identifies the lease and its amendments, if any, the commencement and expiration dates, current rent, the security deposit, and the date through which rent has been paid. It may also address renewal or expansion options, purchase rights, prepaid rent, concessions, outstanding landlord work, and claims or defaults.

The value lies in obtaining that information from the tenant. A seller's lease abstract or rent roll reflects the seller's records and understanding. The tenant may have a different understanding, additional documents, or an unresolved issue that has not reached the transaction team. The potential legal effect also matters. Depending on its wording, the governing law, and the circumstances of reliance, a certificate may prevent the tenant from later contradicting its certified statements. A tenant should

therefore treat each statement as a substantive representation, even when the request arrives with a short deadline and a description such as “standard form.”

Start With the Lease

Before circulating a certificate, review the lease provision requiring it. That provision may specify the response deadline, required information, permitted qualifications, and the form to be used. An attached form may already establish much of what the tenant agreed to provide. Do not assume that the lease requires the tenant to sign every provision in a buyer’s or lender’s preferred form. A request may seek broader assurances than the lease contemplates, including statements about legal compliance, matters outside the tenant’s knowledge, or the absence of any possible claim.

The lease should also be reviewed for notice requirements and the consequences of failing to respond. Some leases contain default remedies or provisions treating silence as confirmation of specified facts. Their effect depends on the language and applicable law. Neither side should assume that a missed deadline automatically produces a binding certificate.

The Tenant Needs More Than a Signature

A tenant’s review should involve the people who know the facts. Accounting can confirm payments and deposits. Facilities personnel may know about unfinished work or recurring building problems. Legal personnel should check amendments, side agreements, notices, and option exercises. If the form states that all improvement allowances have been paid, someone should verify the payment records. If it states that the landlord has completed all required work, someone should confirm the work. A statement that no defaults or claims exist deserves more than a quick review of the current rent balance.

Exceptions should be specific. Identify the relevant agreement, unpaid amount, unfinished obligation, or pending dispute rather than relying on a vague reservation of rights. Appropriate knowledge qualifications may be requested where warranted, subject to the lease requirements and the recipient’s acceptance. The person signing should also have authority to bind the tenant entity.

Buyers and Lenders Must Reconcile the Answers

Receipt of a signed certificate is the beginning of the review. Compare it with the lease, amendments, rent roll, financial records, and the seller’s representations. Differences in rent, expiration dates, deposits, or remaining allowances can affect both valuation and future obligations.

In the opening example, the next step is to determine whether the allowance remains payable, whether the claimed credit is authorized or disputed, and how the transaction documents allocate responsibility. Depending on the facts, the parties might document payment, negotiate an adjustment, establish an escrow, or require a separate resolution before closing. An exception is not necessarily a reason to abandon the deal. It is a reason to investigate and make an informed decision. An unqualified certificate likewise should not replace review of the underlying lease documents.

Make the Review Part of the Transaction Schedule

Owners should assemble complete lease files and identify unresolved tenant issues before circulating certificates. Buyers and lenders should establish their certificate requirements early, including tenant coverage, acceptable dates, and permitted exceptions. Tenants should route requests promptly to the people who can verify the information.

The purchase agreement and loan documents should address what happens if a required certificate is missing or unacceptable. A seller’s substitute certificate is useful only to the extent the relevant parties agree to accept it; it does not become the tenant’s representation merely because it covers the same subjects.

Before closing, confirm that the certificates satisfy the agreed requirements and address any material developments since signing. The objective is a reliable understanding of the leases supporting the property’s value and financing. A short

certificate can reveal a significant problem—but only if the transaction team reads it, checks it, and acts on what it says.

This article provides general information. The effect of an estoppel certificate depends on its terms, the lease, applicable law, and the facts of the transaction.