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IF YOUR LANDLORD LOSES HIS BUILDING WILL YOU LOSE YOUR LEASE?

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As the real estate boom fades into memory for developers and landlords, tenants continue to possess an edge in the market. Due to the glut of office space, lenders continue to accommodate landlords' prospective tenants, and this has translated into generous lease terms. But tenants, beware! Many landlords are fulfilling tenant's expectations, but not without paying a price. These landlords may be covering their operating costs and taxes but may not be able to service their debt. This situation lays the foundation for foreclosure since the landlord may be unable to continue making payments to the lender.

Initially, many lenders extended deadlines to provide landlords with more time to solve their financial woes. These lenders trusted the market would eventually tighten enabling landlords to service their debt. Unfortunately, for many landlords this did not occur. The length and depth of the recession, coupled with the tremendous amount of overbuilding, resulted in lenders taking possession of millions of square feet of commercial property across the country.

Today's real estate climate creates many uncertainties for landlords as well as for tenants. Consider the following scenario: You, the tenant, executed a lease for a substantial amount of space. Preparing for your business life in the new office premises, you incur substantial expenses for moving, telecommunications, advertising, stationery, change-of-address notices and perhaps employee relocation. Moreover, the landlord may have required you to finance all or part of the construction costs.

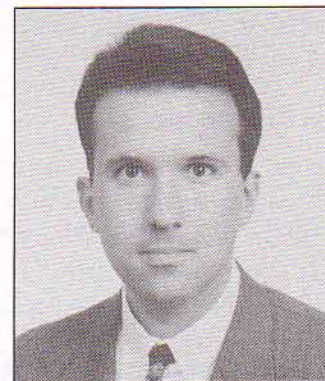
While you have been expending large sums of money and employee time, the landlord may be facing foreclosure. It should be noted, however, that foreclosures are not obtained quickly enough for the lender to take immediate possession of the building. If the landlord contests the foreclosure, the building could be placed in limbo while lender and landlord lock legal horns. During this period, it is unlikely that the landlord will have funds available to meet lease obligations. Once the landlord's interest is foreclosed, the law in most jurisdictions provides that a lender securing a loan with a lien



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