

CASE STUDY

Operating Expense Savings



Represented St. Elizabeth Physicians (SEP) in a 5-year medical office lease for 10,155 square feet (equaling 33.3% of the medical office building). VCRE negotiated caps on controllable operating expenses and 29 operating expense exclusions. Throughout the lease term, VCRE discovered that the Landlord did not abide by the operating expense caps or the operating expense exclusions.

Over a 5-year period, VCRE saved Tenant \$109,093 or \$2.15 per square foot per lease year.



TOTAL SAVINGS FROM
REVIEWING OPERATING
EXPENSES CHARGED TO
TENANT:

\$2.15/SQUARE FOOT
OR \$109,093

LEASE YEAR ONE SAVINGS:

- The Landlord's initial invoice for the first month's operating expenses was higher than when the Lease was signed four months prior. VCRE challenged the Landlord's invoice
- VCRE's savings to Tenant = \$5,788 or \$0.57/sf

LEASE YEAR TWO SAVINGS:

- Initial reconciliation statement from Landlord had SEP owing \$21,226
- VCRE spent two months reviewing and negotiating the operating expenses, causing the Landlord to revise the operating expenses owed by SEP to \$14,013
- During this negotiation period, Landlord attempted to charge SEP \$3,104 in late fees – which VCRE eliminated
- Following receipt of Landlord's annual operating expense reconciliation statement the following year, VCRE believed the numbers were again incorrect. VCRE spent the following year reviewing Landlord's records, resulting in SEP receiving a refund of \$11,445
- VCRE's savings to Tenant = \$35,775 or \$3.52/sf

LEASE YEAR THREE SAVINGS:

- Landlord's initial reconciliation statement had SEP owing \$18,367
- VCRE's investigation and negotiation over eleven months resulted in SEP receiving a refund of \$9,798
- VCRE's savings to Tenant = \$28,165 or \$2.77/sf

LEASE YEAR FIVE SAVINGS:

- Within 30 minutes of learning SEP was not renewing its Lease, Landlord's property manager sent SEP an invoice for \$52,386
- VCRE's investigation revealed Landlord overbilled SEP for both base rent and operating expenses
- After three months, VCRE reduced SEP's invoice to \$13,021
- VCRE's savings to Tenant = \$39,365 or \$3.88/sf