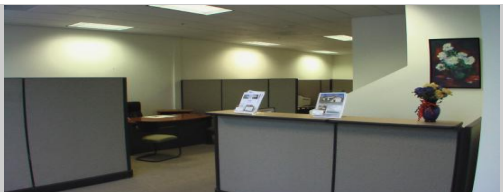
Washington Brown
Building Consultancy

# Tenant Make Good Case Study – Commercial





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| **Landlord Claim:** | $250,000 |
| **Negotiated Settlement:** | $175,000 |
| **Consultants Make Good Fee:** | $6,500 approx (inc. negotiations) |
| **Property Type:** | Commercial Office |
| **Location:** | South Sydney, NSW |
| **Lease Details:** | 25 yr lease dated 1983 covering office accommodation to 3 floors of the property. The lease including internal repairing, reinstatement and redecoration covenants under the responsibility of the Tenant. |

## Introduction

Company ABC Pty Ltd was nearing the end of its lease occupying 3 floors at XYZ Commercial Offices. The landlord issued ABC Pty Ltd with a Schedule of Make Good claiming $250,000 in damages to be paid by the tenant at lease termination or alternatively to undertake the works.

ABC Pty Ltd needed professional advice regarding its legal and financial obligations and engaged a Make Good professional to assess the claim on its behalf. This was carried out within 5 days of the instruction.

## Process

1. Schedule of Make Good prepared by landlord was reviewed by the independent consultant hired by the tenant.
2. Independent consultant carried out their own inspection of the property to assess whether damages claimed were fair and justified or in breach of the lease.
3. Consultant advised Tenant of its legal responsibilities based on their findings and prepared settlement offer.
4. Consultant negotiated final settlement agreement with Landlord over a period of 6 weeks.

## Results

- The landlord's agent had included items in the Make Good claim that were of reasonable fair wear and tear and were therefore the Landlord's responsibility not the tenants. These items were removed from the schedule.
- The consultant prepared a reduced schedule of works and lower settlement figure based on its findings and knowledge of up-to-date market costs for repairs.
- A revised offer of $150,000 was made by the Tenant.
- Negotiations between the Landlord's Agent and the Tenant's Consultant were undertaken and brought about a reasonable offer inline with the lease terms.
- A final cash settlement of $175,000 was accepted in lieu of the Tenant undertaking the works prior to lease termination.

## Key benefits to tenant

- Massive cost saving
- Quick settlement
- Zero responsibility managing contractors at lease termination
- Peace of mind
- No incurred loss of rent charge
- No disruption to the Tenant's business during the final months of the lease due to make good works.