

From Default to Opportunity:

A TENANT'S GUIDE TO RECEIVERSHIP



Economic instability, rising interest rates and a wave of loan maturities continue to pressure commercial real estate owners nationwide, driving distressed U.S commercial real estate assets to \$132.7 billion in 2025. As lenders assume stewardship of buildings from distressed former owners, they increasingly rely on receivership to stabilize building operations, perform capital improvements and better manage assets to preserve value.

Receivership, the legal process where a court appoints a neutral third party to take control of a property, can carry a stigma in our industry, but the reality is often quite different. For tenants, a building entering receivership can create uncertainty around operations, lease stability and future ownership. However, receivership is designed to bring immediate oversight, financial discipline and operational control. In some cases, it can even improve property performance and tenant experience.

There are not clear guidelines regarding when a lender steps in on asset in distress. Foreclosure timelines are long. That extended timeline makes receivership a more attractive interim tool for lenders because it gives them operational control years before they might otherwise obtain title.



So, the news hits... your building is going into receivership, what happens now?

01 Property control shifts immediately

Control of the building transitions from the landlord to a court-appointed third party known as the “receiver.” This neutral party is then responsible for overseeing operations, finances, and decision-making.

02 Lease obligations remain intact

Receivership does not invalidate existing leases. Tenants remain obligated to pay rent, and all lease terms and obligations continue to be enforced in the ordinary course.

03 Day-to-day operations are stabilized

Receivers assume control of cash flow and implement structured oversight, often resulting in a change of service providers and/or more disciplined management to improve operational consistency.

04 Building maintenance is prioritized

Protecting the physical asset is a core responsibility. Life safety systems and critical repairs are addressed first, while nonessential services may be evaluated against available cash flow.

05 Leasing activity continues

Receivers are focused on stabilizing occupancy and income, which means leasing efforts remain active and, in some cases, accelerate with competitive, market-driven terms.

06 Transparency increases across the asset

Receivers are required to report on performance and operations to the court, typically on a quarterly basis, creating greater visibility into the building's financial and operational health.

07 Tenant communication becomes more structured

A strong receivership introduces clear points of contact and ensures building management keeps tenants informed, helping reduce confusion during stabilization.

08 Capital decisions may take longer due to additional oversight

Tenant improvement allowances, building repairs and new lease structures require receiver approval. While this can slow execution, the increased scrutiny is focused on preserving asset value and stabilizing operations — ultimately strengthening outcomes for tenants.

09 Ownership change is likely

Receivership is typically a transitional phase that leads to a sale, recapitalization or foreclosure, with leases transferring to the next owner. New ownership must honor existing leases through term or can opt to buy out tenants ahead of expiration.

10 Receivership can create opportunity

While it signals financial distress, receivership often leads to improved management, stabilizes operations, and presents opportunities for tenants to secure favorable lease terms in repositioned assets.