



# Understanding Legal Opinion Costs in Commercial Real Estate Financings

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Legal opinions play a crucial role in [commercial real estate financings](#), ensuring that lenders receive independent certifications on enforceability, authority, and compliance across multiple jurisdictions. While they may appear routine, opinion practice is distinct from general deal work and involves specialized processes, risk allocation, and professional liability considerations.

Clients often ask: “Why is there a separate charge for opinions? Are they not just part of the deal?” Read on to learn why legal opinions are treated as a separate scope of work, the factors that drive their cost, and why pricing does not simply reflect billable hours.

## Why Opinions Are Separate from General Deal Work

### Specialized Function

[Opinion letters](#) are not advocacy documents; they are certifications issued to third parties (the lender or rating agencies) that carry professional liability. Unlike drafting the loan agreement, where the lawyer negotiates for the client, an opinion requires the lawyer to act as a quasi-independent certifier.

### Higher Professional Risk

An opinion exposes the law firm to direct liability to the lender (a non-client) if the statements prove incorrect. Insurers and bar associations treat opinion practice as a heightened malpractice risk area.

## Not Routine Drafting

Opinion practice requires cross-checking governing law, organizational documents, and transaction documents against formal opinion guidelines (such as ABA, TriBar, and state bar reports). Even where standard “form” opinions exist, tailoring to the specific transaction is necessary.

## Elements of Opinion Costs

### Billable Hours

Attorneys must review organizational documents, certificates of good standing, financing documents, and governing law. Opinion letters typically require senior partner review—even if junior attorneys draft the first version.

### Firmwide Risk Allocation

Opinion work often involves consultation with specialized committees or designated partners within the firm who oversee risk management. This internal process ensures uniformity and compliance with professional standards.

### Insurance and Risk Premium

Because opinions are relied upon by non-clients, law firms carry increased malpractice exposure. Some portion of cost reflects the risk premium assumed by the firm.

### Complexity of the Opinion

A simple “authority to sign” opinion may be straightforward. By contrast, non-consolidation, tax, or “Delaware” opinions can require extensive legal research, case law review, and coordination with local counsel.

### Multi-Jurisdictional Issues

If the borrower is [organized in Delaware](#), owns property in New York, and the loan is governed by New York law, multiple jurisdictions may be implicated, requiring local counsel coordination.

## Why Costs Vary

- **Transaction Size and Complexity:** Large syndicated or securitized loans may require multiple layered opinions.
- **Number of Entities:** Each borrower or guarantor requires its own review and opinion coverage.
- **Nature of Opinion:** Basic enforceability versus complex non-consolidation or tax structuring.
- **Lender Requirements:** Some lenders and rating agencies impose very specific opinion requirements beyond customary scope.

## Practical Takeaways for Clients

- **Expect Separate Line Items:** Opinion charges are not “extra padding,” but reflect a distinct professional service.
- **Scope Matters:** Ask early whether your transaction will require enforceability, Delaware, tax, or non-consolidation opinions.
- **Coordinate Efficiently:** Consolidating opinion requests and standardizing borrower structures can reduce costs.
- **Recognize the Risk Allocation:** Opinions are priced not only on time spent but also on the professional liability and risk assumed.

## Conclusion

Legal opinions are a critical but distinct part of modern [real estate financings](#). While clients may view them as routine paperwork, they are in fact specialized certifications to third parties that carry heightened liability and require senior-level scrutiny.

Understanding the scope, risk, and cost drivers behind opinion practice allows borrowers and sponsors to better anticipate expenses and streamline negotiations with lenders.

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