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Negotiating a Successful Commercial Lease

Dale Willerton; Jeff Grandfield

For many chiropractors, negotiating a good lease or lease renewal against an experienced agent or landlord can be a challenge. While a chiropractor focuses on proper patient care, savvy real estate agents and brokers are specialized sales people. Their job is to sell chiropractic tenants on leasing their location at the highest possible rental rate. Chiropractic tenants may go through the leasing process two or three times in their entire lifetime - yet they have to negotiate against seasoned professionals who negotiate leases every day for a living. Negotiating appropriate leasing terms is vital for a chiropractor as the amount of rent you pay will directly affect the practice's financial bottom line. Whether you are negotiating a lease renewal or leasing a new practice location for the first time, here are some tips for tenants.



Negotiate to Win

All too frequently, chiropractic tenants enter into lease negotiations unprepared and don't even try winning the negotiations. If you are not even negotiating to win, you won't. With big commissions at stake, you can be sure the landlord's agent, on the other hand, is negotiating fiercely to win. Chiropractic tenants should remember that it is okay to negotiate assertively.

Be Prepared to Walk Away

Try to set aside your emotions and make objective decisions. Whoever most needs to make a lease deal will give up the most concessions. A good practice in a poor location will become a poor business.

Don't Telegraph Your Plans

A skilled hockey player can skate, stick-handle and pass without looking at the puck, thereby not telegraphing his plans. As a chiropractic tenant, try not to speak in terms such as - "when I move in," "I would like the carpet replaced," "this will be my patient waiting room" and so on. These are called buying signals and they always serve to weaken your bargaining position. Don't let what you say and the words you choose work against you.

Brokers: Friend or Foe?

Real estate agents and brokers typically work for the landlord who is paying their commission. It is not normally the agent's role to get the chiropractic tenant the best deal - it is their job to get the landlord the highest rent, the biggest deposit, etc. The higher the rent you pay, the more commission the agent earns. If you are researching multiple properties, try to deal directly with the listing agent for each property rather than letting one agent show you around or show you another agent's listing. Your tenancy is more desirable to the listing agent if he can avoid commission-

splitting with other agents.

Talk to Other Tenants

Some of the best "inside information" available is from tenants already in a building. Ask pointed questions to existing tenants about the level of property maintenance, rental rates, lease renewal plans and so on. What you learn may surprise you!

Ask for More Than You Want

If you want three months free rent, then ask for five months. No one ever gets more than they ask for. Be prepared for the landlord to counter-offer and negotiate with you as well. Don't be afraid of hearing "no" from the landlord - counter-offers are all part of the game.

Never Just Accept the First Offer

Even if an offer seems reasonable or you have no idea of what to negotiate for, never accept the leasing agent's first offer - more often than not, this offer or rental rate is inflated. Many agents use a strategy of starting negotiations at a higher rate that allows them to give in slightly. We frequently complete lease agreements at 15% to 25% less than the agent's opening offer. In one case, we remember the rental rate coming down from an asking rate of \$8/psf to under \$3/psf just because we were willing to negotiate for our client. The majority of agents build room to maneuver into the offer.

Go Slow for a Better Deal

Chiropractors often rush a lease deal and leave valuable incentives or inducements on the table. If you have the time to work with, we recommend that you take it. Often, we get chiropractic tenants more free rent, more tenant allowance and even a lower rental rate by refusing to sign on the dotted line too quickly. If the landlord or agent is anxious to close the deal, you can use stalling tactics to better your position (e.g. "I'm waiting to hear from my banker on financing" or "I need to discuss all of this with my partner") to better your position. Chiropractors who invariably have regrets will usually tell you the whole leasing process happened so fast they hardly realized what they agreed to.

Negotiate the Deposit

Large deposits are not legally required in a real estate lease agreement for a chiropractic tenant. Deposits are negotiable and, more so than anything else, often serve to compensate the landlord for the real estate commissions he will be paying out to the agents. If you are negotiating a lease renewal and your landlord is already holding a deposit of yours, negotiate to get that deposit back.

Measure Your Space

Chiropractic tenants frequently pay for phantom space. Most chiropractic tenants are paying their rent per square foot, but often they are not receiving as much space as the lease agreement says.

Prepare for Murphy's Law

You know of Murphy's Law: anything that can go wrong will go wrong - and at the worst possible time. But even good luck can have its downside. The baseball player with the most home runs is often the player with the most strikeouts as well. Emotionally and financially, it pays to plan ahead and try to envision what will go wrong. Say the contractor doesn't get your new practice space

built out in time and you are going to open for business five weeks late. Do you want to be paying rent while you're not open? Of course not. In that case, we often negotiate wording into your lease agreement so the rent doesn't start until the tenant actually opens for business.

Educate Yourself and Get Help

Unless you have money to throw away, it pays to educate yourself. Taking the time to read about the subject or listen in on a leasing webinar will make a difference. And, don't forget to have your lease documents professionally reviewed before you sign them. With hundreds of thousands of dollars in rent at stake, personal guarantees and other risks, you can't afford to gamble. In leasing, chiropractic tenants don't get what they deserve, they get what they negotiate.