



YOUR PRACTICE / BUSINESS

Do You Need More Space?

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Are you planning to open another office? Increase the size of your current practice? In either case, you may need to look at expanding your current operation or leasing additional commercial space. Doing so will allow you more room for more examination / treatment rooms, another office (for [an associate](#) or a new partner) or even a larger waiting room for patients.

Do Your Homework

Expansion isn't always a simple matter. To successfully expand your own practice, you must do your homework, consider timing and be able to successfully negotiate for additional space. We have routinely helped commercial tenants move into larger premises. Let's start with a few fundamental tips to help guide the process:

- Expansion may only be possible if, and when, the real estate is available (which could occur long before or long after you are ready to grow). Keep your eyes and ears open with regards to possible vacancies in your property or other properties you may be considering. If, and when, one of these units opens up, you will have your window of opportunity.
- Talk to neighboring tenants - find out who is staying, who is leaving and when. You can approach your landlord for further discussion well in advance of the space actually becoming available on the open market.
- Speak to the landlord about relocating your neighboring tenant. Often, a landlord will be motivated to move a smaller tenant in favor of a larger tenant expanding operations.

Remember that expansion by relocating to a larger commercial unit (either within the same property or another property) is possible. Plan ahead for this and schedule around when your lease term expires.

Think About Location



If you are moving out of your existing property into a new property or opening up a second practice, the demographics of the targeted building also will be important. When weighing the options of available commercial space, consider the following:

Population density: The more people living or working in a general area to the property you plan to expand into and lease, the better. Future growth plans for the neighborhood are also important. Many newer properties may be built on the outskirts of town. A great plaza may be built on one side of the street where homes are located, but across the street is an empty field that won't be home to families for many years. Waiting for a newer area of the city to mature and become more populated could mean some lean years for your practice.

Age: A commercial property may not physically change much over time, but the age of local residents can. As we age, we may need more of the services a chiropractor provides. To get a quick read on a community, just look at what the local residents are driving and how many cars are parked in driveways.

When looking to expand your current space, it pays to be proactive in talking to both your neighboring tenant and the property manager about your desire to expand. There are many cases in which a neighboring tenant's business is struggling; if they knew there was a way to get out of their lease obligations, they would happily give up their space.

On the other hand, your property manager knowing your desire to expand before a space becomes marketed to the general public may give you first opportunity to secure the space next door and may provide the landlord an opportunity to avoid a leasing commission - resulting in a stronger deal for you.

One downside to annexing more space is that often you can't just get a portion of your neighbor's space. You will probably have to either take none or all of it. Some landlords may be flexible -

provided you leave them with enough space to be attractive to another tenant.

Details Matter

When we are talking to clients about expanding into adjacent commercial space, we are always mindful of all the details. We remember one tenant who moved out of a shopping plaza. This left the space available for both the neighboring tenants (one of whom was our client) and they both expressed an interest in expanding into the now-vacant space. The answer was to split this space between the two tenants.

When we read the lease proposal from the landlord, we noticed there was only one pre-existing heating, ventilation and air conditioning (HVAC) unit on the roof, and it had been promised to the other tenant. As part of our negotiations with the landlord, we insisted on (and received) a secondary HVAC unit for our client's use.

Right of First Refusal and Lease Termination

While you may not have negotiated a right of first refusal on an adjacent space in your initial lease, you can still negotiate for a right of first refusal to lease all or just a portion of the space adjacent as part of any new lease or renewal. You may even want to consider negotiating a first right of refusal in the middle of your current term if you are looking to expand in the future, as this could be done through an amendment to the lease.

Not all chiropractic tenants want or need to add a clause that allows them to increase their area, but it's a smart move to do. After all, if you've signed a 5- or 10-year lease term, but outgrow the space before the end of your lease, you will not simply be able to walk away from the lease. But if the adjacent tenant is thinking of moving or not renewing their lease and you can snatch up their space, you can get the area you need without having to move.

Many tenants who think they have a [right of first refusal clause](#) don't have the proper wording in the lease agreement to provide them with what they actually want - the ability to expand. If the option to lease more space is based on matching another tenant's offer to lease, the wording of this clause must require the landlord to give you sufficient notice and to provide you with a copy of the other party's offer to lease. Don't accept casual wording. Be precise if you want certainty.

In some deals, we negotiate for the right to terminate the tenant's lease agreement if the tenant needs to expand and the landlord cannot provide additional space. In most cases, you'll want the space to be contiguous to your original unit, but occasionally you may desire to move to a new location within the same building or plaza to expand.

So, why would a landlord agree to this? Well, every landlord wants to retain successful (and regular rent-paying) tenants. If you're expanding because your business is good, it may well be seen as a natural progression. On the other hand, a landlord may be skeptical about your ability to expand and want to discourage this plan, thinking the tenant will be over their head, rent-wise.

Choose Wisely

Should you choose to expand your practice through a satellite office or a new, larger location, it is also imperative that you find a new location *worthy* of your practice. The reason we say this is because you've spent eight years in college getting a doctorate degree. You've dedicated your life to keeping the rest of society both healthy and happy. When expanding, you deserve excellent locations that allow you to continue profiting - and to be able to sell those practices when you retire.

With the demand for quality chiropractic spaces being high, many chiropractors will mistakenly settle for less space (or a lesser location) - resulting in a lighter patient load, less income, and a practice worth less money 25 to 30 years later when it's time to sell and retire. Don't make the same mistake.