



MARKETING / OFFICE / STAFF

Moving or Just Starting Out? Leasing Secrets

Jeff Grandfield; Dale Willerton

If you think site selection is all about "location, location, location," you're right - intellectually. However, when you get involved in the site selection process, good old common sense may go out the window. Consider for a moment that site selection is not a science; it's an art - part research, part luck and part timing. Before searching for a new (or relocation) practice site, here are a few tips to keep in mind.

Location Is Critical

Whether you're searching for a site for a new chiropractic practice or considering moving your business, there's a lot to be said for the importance of location. The No. 1 reason for business failure or poor performance is poor location.

A poor location ultimately results from poor site selection. As just one example, identical stores from the same chain or franchise system can vary by as much as 200 percent in sales volumes. The primary difference is their respective location. While there are additional factors (including store size, marketing budgets, management, staffing, accessibility, etc.), these are all secondary to the importance of location, in our opinion.

As we explain in our book, essentially there are three types of businesses, chiropractic or otherwise: profitable, break-even and go-broke. A truly profitable location will make money and the business will appreciate in value. A break-even location will pay the owner a small salary and pay the rent, but not much more.

The go-broke location that comes to our mind lasted less than three months from opening to closing for one unfortunate tenant. Despite our warnings that it was a go-broke location, the business owners poured \$80,000 into their setup and couldn't pay rent by the second month of operation.



Usually, a go-broke location will not only steal your capital, but also put you into personal bankruptcy after you have maxxed out your credit.

But It's Not the Only Consideration...

Note that as a chiropractor, your location may not be as critical to your success as it would be to other businesses. While visibility will help, your patients will come see you when they need you. Therefore, you should have the upper hand with negotiations.

Take Your Time

Allow enough time so you're not making decisions under pressure. Typically, for a new practice, you should start the site selection process 6-9 months in advance of when you want to open. If you already operate a practice, but are considering relocating when your current lease expires, you should start your site selection at least 12-15 months ahead.

If you cannot get a satisfactory lease renewal, you will need this time to select alternative sites and negotiate a new lease elsewhere.

If you find a prime location, usually the landlord will hold it for you for a few months. However, if the process takes longer, you may need several months to finalize the [Offer to Lease](#), review the formal lease documents and/or build out the practice.

Remember That You're in Control

Don't let an agent show you space all over town. Chiropractors often fail to realize that realtors / agents / brokers typically work for landlords who pay them a commission on lease deals signed and closed. When one agent shows you another agent's listings, this effectively creates commission-splitting between the property's listing agent and the leasing agent. It also undermines your negotiating power since the real estate agent will know how you feel about every location.

An agent may be very helpful in pointing out a location you were unaware of, but remember who they are working for. While their advice may be sincere, it may be sincerely wrong.

Make your leasing inquiry by calling the "For Lease" number on the property sign. This way, you will meet and negotiate with the listing agent directly. Tour prospective sites in order from worst to best. This way, you will become more confident, ask better questions and be more in control of the leasing process.

Silence Is Golden

Don't telegraph your intentions by giving "[buying signals](#)." Ask the leasing representative to email you preliminary information before you agree to view the space. When viewing, stifle the urge to think out loud; subtle comments to a partner / spouse (e.g., "This would make for a good waiting room" or "This room could easily accommodate my chiropractic table") that are overheard by the leasing representative can work against you. If you're asked how much you have budgeted for rental payments, remain vague. Not every question asked deserves an answer – not yet, anyway.

Location Over Cost

If you find yourself weighing a better location at a higher rent versus a lesser location at a lower rent, our advice is to go for the first option. When consulting to tenants and doing site selection, our job isn't to find the cheapest location; it is to select a site that will help the chiropractic tenant maximize patient load.

Also remember that landlords sometimes prefer to lease their worst space(s) first and save the best space(s) for last. Usually, the individual unit or location you lease within a shopping center or strip mall is more important than the mall itself – or at least equally important. Know that lease rates within a building can vary two to three times depending on unit desirability, walk- or drive-by traffic flow, space shape, quality of neighboring tenants and anchor tenants. While you don't always get what you pay for in leasing commercial space, you normally don't get *more* than you pay for, either.

Beware of Phantom Space

While we're on the subject of site selection, don't forget to confirm the amount of commercial space available is correct. In the commercial real-estate business, the term to remember is *phantom space* – incorrectly measured commercial area (whether by accident or by report of a distant landlord who has never even seen the building).

As commercial rent is typically paid by the amount of square footage leased, when the space is incorrectly measured, you can easily be overcharged.

Also consider how phantom space can *repeatedly* affect you. Every tenant pays two rents – the base rent (which is negotiable) and the common area maintenance (CAM) charges. CAM costs cover

charges on property upkeep that benefits all tenants (e.g., trash removal, property taxes, building maintenance) and is charged proportionately. Therefore, if a tenant occupies 1,800 square feet, they are responsible for the CAM charges on that area as well. If that tenant has been wrongfully paying for phantom space, they will also wrongfully pay too much for CAM charges.

Such square-footage discrepancies are very common for business owners (specifically, those leasing retail and office space). In our experience, many discrepancies are negligent, not necessarily fraudulent. This is a small consolation, as the tenant remains overcharged. When the landlord is receiving rent on 107 percent of a building, it stands to reason that the landlord should have questioned how the rent exceeded 100 percent.

Fortunately, phantom space overpayments can be corrected and refunded. We remember one previous client with a discrepancy of only 27 square feet. While this doesn't sound like much, this specific unit was located in a prime downtown shopping mall with high rent.

When this came to our attention, it was seven years into the tenant's lease term and the landlord had collected \$20,000 more than was rightfully due. We approached the landlord, pointed out this inconsistency, and successfully negotiated on this tenant's behalf for reimbursement.