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Lease Renewal Do's & Don'ts for Chiropractors

By Dale Willerton and Jeff Grandfield

When speaking to the chiropractic graduating class at Parker University and at Parker Seminars in Las Vegas, our sessions included a number of key Do's & Don'ts for negotiating commercial leases and renewals. There are so many details to remember that it can sometimes seem overwhelming as you try to navigate the best options for your practice. Here are a some tips to keep you on the right track.

DO's

Do create competition for your tenancy. Negotiate on more than one location simultaneously – especially with lease renewals. Even if you don't want to move, create options so you can play one landlord against another. Share with each landlord that you are receiving proposals on other sites.



Do start the planning and site selection process well in advance. For existing practices and lease renewals, we recommend you start at least 12 months ahead of time. This allows for ample time for completing paperwork, searching for alternate sites (if necessary) and accounting for Murphy's Law. If you can't secure a good deal within the first few months, you can still exercise your option to renew or start the relocation process.

Do keep your success quiet. Landlords raise rents for the lease renewal period due to your success. If you have been profiting in a particular location, you likely will not want to move even if the rental increase is affordable. Some agents and landlords will take advantage of chiropractors knowing how expensive it can be to move and set up a new practice.

Do talk to other tenants. For lease renewals, talk with other tenants in the building who have recently renewed leases. Ask them how these renegotiations went and what the landlord was willing to agree to in terms of rental rates and further tenant incentives.

Do negotiate for lease renewal incentives. For some reason, chiropractic tenants neglect, or are simply fearful of negotiating for lease renewal incentives. If your lease is expiring, ask yourself what inducements (e.g. free rent and/or tenant allowances) would the landlord give to a new chiropractor just coming into the property. If these were there for the offering to a new chiropractor, then why wouldn't an established chiropractic tenant – with a proven track record – get the same (or more) consideration?

Do walk away from a bad deal. We are optimists at-heart; however, in business, you must look at pessimistic projections. Years of frustration in a slow practice can be avoided if only more chiropractors had walked away from poor locations and bad lease deals. Be careful, take your time and get some help from a Lease Consultant before signing a lease renewal agreement.

DON'Ts

Don't have false optimism. When chiropractors tell us their practice isn't doing very well, but they want to renew their lease anyway, this is false optimism. Unless you change location or something else about the way you practice, you should not realistically expect your next five years to be better than your first five years. Moving can be difficult, frightening, time-intensive and expensive; however, this may become absolutely necessary.

Don't accept an inappropriate lease length. For professional clients, including chiropractors, a five or 10-year lease term is often the norm. When renewing, do not automatically sign for that same or similar time frame without considering your own personal and professional future. Are you planning to relocate? Are you planning to sell your practice? Are you planning to retire?

Don't settle for your same rental payment. Achieving a rent reduction on your lease renewal is a very real possibility. If your landlord is leasing space to new tenants at less than what you are currently paying, a rent reduction for you should be a given. If your current rental rate is artificially high because of your last tenant allowance, a rent reduction on your renewal term could also be in order.

Don't accept the first offer. Once your landlord has made the first offer or proposal regarding your lease renewal, the real negotiations begin. Don't be too eager to accept that first offer, even if it seems reasonable. With patience and good communication, you can almost offer any first offer, which may be nothing more than a smokescreen anyway.

Don't allow the landlord to retain your deposit. If you have paid the landlord a hefty deposit on the property, don't forget to ask for this back upon your lease renewal date. You have, after all, proven yourself as a responsible tenant over your initial term. Why should your landlord keep this money?

Don't give post-dated cheques. One of the main jobs for a property manager is to collect the rent from tenants. Naturally, property managers will prefer to have post-dated rent cheques already in-hand. For the chiropractic tenant, however, you may not have the rent money until the third day of the month. Paying a few days late is considerably better than bouncing a cheque. Alternatively, there may be a recurring problem with the air conditioner or the snow hasn't been removed this week from the parking lot. By not providing post-dated cheques, you retain some control.

Don't disregard your operating costs. Having your lease and/or operating costs audited is a simple and effective way to keep your landlord and property manager honest. Frequently, chiropractic tenants pay much more than they need to because of padded or miscalculated operating costs. Often, it can be advantageous for groups of tenants sharing the same property to unify for an operating cost audit.

Don't jump to exercise renewal options. Even though you have a renewal option, you may not want to exercise it – especially if the renewal term rental rate automatically increases or can't decrease. If you are certain that your landlord wants you to stay and market rates (the "going rate" in your neighbourhood) have softened, you may want to negotiate from scratch.

Dale Willerton, The Lease Coach, is Commercial Lease Consultant who works exclusively for tenants. Dale is a professional speaker and co-author of *Negotiating Commercial Leases & Renewals For Dummies* (Wiley, 2013). Got a leasing question? Need help with your new lease or renewal? Call (800) 738-9202 or

visit www.TheLeaseCoach.com. For a copy of our free CD, "Leasing Do's & Don'ts for Chiropractic Tenants," e-mail dalewillerton@theleasecoach.com.

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