

WHAT VETERINARIANS SHOULD KNOW ABOUT COMMERCIAL LEASES

By: Bryan C. Esch, Esq.
DeWitt LLP

As a business owner, it is important that you have a good veterinary clinic location, near your clients and patients, and have adequate facilities and space so you may conveniently and cost-effectively practice veterinary medicine. Most likely, you will want to locate your veterinary practice in high visibility space with easy access and good parking. After salary and benefits for your staff, costs related to your clinic space (rent, insurance, property taxes, maintenance, etc.) are probably your biggest business expense. As a result, it is critical that you pay attention to the terms of your commercial lease to ensure that the lease terms meet the needs of your veterinary practice.

Once you identify the desired location for your practice, before you contact the landlord, you should have a basic understanding for how commercial leases work and what items should be addressed in the commercial lease agreement. The terms of commercial leases almost always favor the landlord, but generally with a little negotiation, you have the ability to improve the lease terms. Most landlords are eager for tenants and willing, within reason, to negotiate special lease provisions to accommodate tenant requirements.

You should make sure that the commercial lease agreement addresses these important provisions in a clear and acceptable way:

- Will the landlord provide you with any free or reduced rent at the start of the lease term?
- What is the rent and do the monthly amounts you pay include other costs relating to the real estate like property taxes, insurance, and maintenance (gross rent) or do you pay for these other amounts separately (triple net)?
- Is the rent fixed for the term or does it increase each year or at some other time with a percentage rent escalator (for example, annual increases of 3% per year)?
- Is a security deposit required and how and when will the security deposit be returned?
- What is the term (length) of the lease?
- Does the tenant have the option to renew the lease after expiration of the initial term and on what terms?
- What space is covered by the lease (the lease premises) and what facilities do you have the right to use in common with other tenants (parking, the lobby, storage areas, etc.)?
- Will the landlord make and pay for certain improvements to the facilities to customize the space for your clinic or will you be permitted to build out the space to your specifications?
- Who will be responsible for maintaining and paying for repairs and replacements to the HVAC system, plumbing, electrical, roof, doors, windows, and other critical components of the building?

- What kind of uses and activities are permitted and will all of your current and future clinic services be allowed?
- What kind of signage is permitted and where will it be located?
- Are you permitted to assign the lease to another party or sublease all or a portion of the space to another tenant if you discover the facility does not meet your needs?
- Does the lease agreement contain a right of first refusal giving you the ability to match any offer to purchase the building if the landlord decides to sell?

It is important that you carefully consider and address with the landlord all of the above lease provisions and any other special terms you may require for your clinic. You may want to retain an attorney to assist you with reviewing and negotiating the lease agreement. It is worth investing in the project because having a favorable commercial lease agreement places your veterinary clinic in a position to succeed.