



*Negotiating
Your
Lease*

**Identifying the Hidden Risks in
Your Medical or Dental Office
Lease**

Still Have Questions?
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What you don't know can hurt you.

Your dental or medical office lease is one of the most important business agreements you will negotiate during your professional career. Poorly negotiated leases can make it difficult for you to sell your practice, ding you for hundreds of thousands in "key money" if you move, and leave you responsible for paying office rent after you retire.

Over 90 percent of healthcare professionals rent office space and nearly 100 percent of those who rent are fully aware of only one thing about their lease - the monthly rental fee.

The good news is that *everything* is negotiable. With professional help in negotiations, you can reduce and even eliminate the problems and pitfalls in your office lease, keeping your options open for the future. But don't wait until the last minute; start your negotiations *two or three years* before your current lease expires.

During those negotiations, you need a strategy to deal with the tactics that landlords and their attorneys often use. Their aim could be to get you to sign a lease that has moderate monthly rewards for them for a few years, plus a jackpot they will collect if you decide to move or retire.

There is no such thing as a tooth fairy... or a "standard" lease

Part of a landlord's strategy can involve lulling you into believing you are signing a "standard" lease. In fact, many leases have the words "STANDARD LEASE" at the top of the first page as an invitation for you to believe that some higher authority has already reviewed and vetted the lease for fairness.

Do not believe it. There is nothing "standard" about lease documents. Even tenants in the same building and on the same floor are likely committed to different lease documents.



Know this: Everything in a lease is negotiable

Are you free to hand your lease over to a health care specialist who has bought your practice?

You want to be free to assign your tenant lease to a dentist or doctor who has bought your practice when you decide to retire. Assignment provisions are a part of every lease.

For all intents and purposes, this is the component of your lease that will determine your ability to sell your practice.

In the final months of their careers, many medical and dental professionals have been shocked to learn that when they ask their landlord to assign the lease to a prospective buyer, the request triggers an automatic termination of the lease.

In other words, by requesting permission to transfer the business and the lease to a new medical or dental specialist, the landlord has the right to terminate the agreement on only 30 days notice. Your landlord has threatened termination unless you pay him what in landlord's circles is commonly known as "key money." It can potentially cost you hundreds of thousands of dollars to settle.

If you choose not to pay out of principle, you could impede your ability to sell your practice and might have to relocate your business in your final working days.

Start Your Negotiations 2-3 Years Before Your Lease Expires



What can you do to protect yourself?

You are not powerless in this situation. When it comes to leases, everything is negotiable. Health care specialists who recognize that hidden bombs with long fuses that are often tucked away in the details of a lease can take steps to protect themselves.

There are consultants specializing in negotiating leases for dentists and doctors. They will evaluate your lease and identify the parts of the lease that might impede your ability to sell your practice or go smoothly into retirement, and negotiate a new lease that is more advantageous to you.

Timing is crucial. Health care tenants with leases expiring within two to three years should be developing a negotiating strategy now that's designed to get a lease renewal providing the freedom to make career choices without paying penalties to the landlord—even after you retire.

Will you have to pay office rent after retirement?

Another significant issue you need to consider on the sale of your practice is that you will most likely remain liable for the payment of rent by the new owner. Most dentists and doctors tend to sign their leases either personally or in their professional corporations.

As the original tenant stays on the hook as a matter of law, the landlord has to only look to you, the original tenant and all your personal assets in the event of a non-payment of rent by the new owner.

This is a sizable burden. It includes all the monthly rent that a new lease owner could default on for the remainder of the lease. If you are also agreeing to pay the landlord's legal costs in disputes, you can add those costs to your total financial exposure.

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