

Medical Office Leasing

Tenant Representation Strategies

CBRE

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Location, Location, Location

When looking for office space to accommodate your medical practice, there are a lot of things to consider. Possibly the most important factor to consider is where you will procure your patients? In my experience, most physicians get their patients from three main sources:

1. Referrals – Many specialists such as dermatologists, urologists, podiatrists, nephrologists, and oncologists get their patients via referrals from primary care providers and other specialists. When choosing an office location, it's important to locate in a place that is advantageous for funneling referrals. This location may not be glamorous, but it offers convenience to patients of referring providers. It's important to choose a medical real estate broker who has a relationship with potential referral sources who will work to choose the most advantageous location for you.
2. Signage – If a portion of your new patients self-refer by way of market visibility (general dentistry, optometry, orthopedics, urgent care and laser services, etc.), then signage is of utmost importance. Considering highly visible office buildings or retail sites may be a good opportunity to capitalize on drive-by traffic.
3. Internet Marketing – If most of your patients come to you by way of internet marketing, such as arthritis care, cosmetics, veterinary services and fertility clinics, visibility is less crucial and convenient access to your facility and demographics is of primary importance.

Negotiating a Lease

Too often, physician groups look at a commercial lease transaction as being similar to a residential real estate purchase. Many physician groups believe they can sign a lease on their own with no outside help, or they can simply have an attorney review the document. If you subscribe to the "do-it-yourself" mentality you are likely leaving a lot of money on the table, and for no good reason. A Landlord signs a listing agreement with a listing agent and if the Tenant is unrepresented, the Listing agent gets a 6% commission. If the Tenant is represented, then the Listing agent and Tenant rep agent split the commission 3% and 3%. The Landlord pays the same amount of commission either way, so it makes sense to use a tenant rep agent who will represent your interests in a transaction. The tenant is not obligated to pay a commission to their Tenant rep agent so there is nothing to lose. Utilizing a tenant rep agent will help you save money while having an experienced strategic partner to represent your interests.

A qualified medical/commercial real estate broker can help you negotiate terms, which might have otherwise gone unknown to your practice. Some examples are as follows:

1. Free Rent
2. Tenant Improvement Allowance
3. Gross-Up Provisions for Operating Expenses
4. Building expenses such as HVAC replacement, parking lot repairs, plumbing repairs, capital items, etc.
5. Right of First Refusal / Right of First Offer
6. Renewal Options
7. Holdover Rent Provisions
8. Exclusive use – Not allowing competitors to lease in the facility
9. Exclusion of noxious uses – Excluding certain tenants from leasing in a facility which could either drive down the reputation of the building or negatively impact your practice