

A close-up photograph of a hand holding a black and silver pen, writing on a document. The document has some faint text, including the word "Name:" and "Address:". The background is a soft-focus white surface.

Site Selection Secrets

Pharmacy tenants don't get what they deserve—they get what they negotiate

By Dale Willerton

Successful site selection means more than “location, location, location.” I have consulted many pharmacy tenants and found numerous issues are often overlooked in choosing commercial space to lease. Consider the following criteria to better ensure your own business success.

Location Within the Location

Just because you found a great property at which to locate your pharmacy, don't forget that location within the property can be critically important, including how close you are to prescribers.

Visibility

Can your pharmacy be seen from the street? Or, are there trees or other buildings blocking the view? Would the landlord allow landscaping? Visibility by both drive-by and walk-by traffic is ideal.

Parking

Typically, there are only so many parking spaces assigned and, once they are taken, they are gone. Negotiate for plenty of parking spots—so that you, your staff, and your customers all have a place to park vehicles. Push for parking closer to your door as customers will only walk so far from where they have parked.

Signage

What signage is available to you? What type is it? Where is it located? Are there zoning restrictions that might affect the size and scope of a sign? Where would your pharmacy name be placed on a common pylon sign shared by other tenants? Would you be charged for any additional signage requested?

Neighboring Tenants

Who is doing business next door to you, and who will be allowed to do business next you in the future? Will this tenant be conducive or detrimental to your pharmacy? Meet and quiz these tenants for yourself. When representing new pharmacy tenants, I frequently ask pointed questions in this situation. What you learn may very well surprise you.

Anchor Tenants

These are the major businesses/retailers that pull customer traffic to a property. How long have these anchors remained in the property? Are they planning to stay or move?

Storage

Will your pharmacy require a storage area for medical equipment and/or inventory/supplies? Be sure that this area is secure and spacious enough for your needs and is entirely usable—pillars and/or additional walls often make for wasted space. Make sure square footage on the listing matches measurable square footage in the storefront.

Broker—Friend or Foe?

Don't let one agent show you space all over town because this creates commission-splitting. The listing agent's commission is being paid by the landlord and an outside agent may be sharing in that commission. Remember, the higher the rental rate, the higher (often) the agent's commission. Brokers and agents do a great job, but who are they doing the job for, and who is paying them to do it?

In the last 20 years, I have helped many new and existing pharmacy tenants negotiate first-time leases and lease renewals, in addition to site evaluation. A good pharmacy in a poor location ultimately becomes a poor business.

As an example, I negotiated a lease renewal for a pharmacy tenant whose rent was at \$15 per square foot and was set to increase to \$29 per square foot (according to the landlord). We negotiated for the rent to only go up to \$22 per square foot—thus saving the pharmacy tenant \$110,000 over the lease's renewal term. This pharmacy tenant didn't want to relocate as he wanted to stay close to the physicians and could not move.

A physician I worked with was going into a strip plaza and taking over some space that had been vacated by a restaurant. There was a pharmacist who wanted to locate directly beside him, so we arranged with the landlord to have an adjoining common entranceway between the medical office and the pharmacist. While the doctor didn't necessarily benefit from this arrangement, the pharmacist certainly did.

Some independent, medium-sized pharmacies are looking for properties that have medical clinic tenants. That is part of the site selection process. Evaluate how many doctors are writing prescriptions and what type of doctors are they. For example, ear, nose, and throat doctors write many prescriptions.

As a final note, sometimes, landlords promise that physicians are going to be brought into the property at some future date. This may or may not happen—there are no guarantees. In this case, exercise some caution lease-wise.

In leasing, pharmacist tenants don't get what they deserve—they get what they negotiate. If you have more specific questions related to leasing, feel free to contact me. 

Dale Willerton is The Lease Coach, a commercial lease consultant. Got a leasing question? Need help with your new lease or renewal? Call 800-738-9202; visit www.TheLeaseCoach.com; or email DaleWillerton@TheLeaseCoach.com. For a complimentary copy of his CD, "Leasing Do's & Don'ts for Commercial, Retail & Office Tenants," and to order his new book, "Negotiating Commercial Leases & Renewals for Dummies," email Willerton at the above address.