



# Lease Lessons

If you're not negotiating to win, you won't

*By Dale Willerton*



For many pharmacists, negotiating a good lease or lease renewal against an experienced agent or landlord can be a challenge. While a pharmacist thinks of prescriptions and proper patient care, savvy real estate agents and brokers are specialized sales people. Their job is to sell pharmacy tenants on leasing their location at the highest possible rental rate.

Pharmacy tenants may go through the leasing process once or twice in their entire lifetime—yet they have to negotiate against seasoned professionals who negotiate leases every day for a living.

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Whether you are negotiating a lease renewal or leasing a new location for the first time for your pharmacy, the following are some tips for tenants.

### **Negotiate to Win**

All too frequently, pharmacy tenants enter into lease negotiations unprepared and don't even try winning the negotiations. If you are not even negotiating to win, you won't. With big commissions at stake, you can be sure the landlord's agent, on the other hand, is negotiating fiercely to win. Pharmacy tenants should remember that it is okay to negotiate aggressively.

### **Be Prepared to Walk Away**

Try to set aside your emotions and make objective decisions. Whoever most needs to make a lease deal will give up the most concessions. A good business in a poor location will become a poor business.

### **Ask the Right Questions**

Gathering information about what other tenants are paying for rent or what incentives they received will position you to get a better deal. Ask the right questions. Consider that your landlord and his agent know what every other tenant in the property is paying in rent, so you must do your homework too.

### **Brokers ... Friend or Foe?**

Real estate agents and brokers typically work for the landlord who is paying their commission. It is not normally the agent's role to get the pharmacy tenant the best deal—it is their job to get the landlord the highest rent or the biggest deposit. The higher the rent you pay, the more commission the agent earns. If you are researching multiple properties, try to deal directly with the listing agent for each property, instead of letting one agent show you around or show you another agent's listing. Your tenancy is more desirable to the listing agent if he can avoid commission-splitting with other agents.

### **Never Accept the First Offer**

Even if the first offer seems reasonable, or you have no idea of what to negotiate for, never accept the leasing agent's first offer. In the real estate industry, most things are negotiable and the landlord fully expects you to counter-offer.

### **Ask for More Than You Want**

If you want three months free rent, then ask for five months. No one ever gets more than they ask for. Be prepared for the landlord to counter-offer and negotiate with you as well. Don't be afraid of hearing 'no' from the landlord—counter-offers are all part of the game.

### **Negotiate the Deposit**

Large deposits are not legally required in a real estate lease agreement for a pharmacy tenant. Deposits are negotiable and, more so than anything else, often serve to compensate the landlord for the real estate commissions he will be paying out to the realtor. If you are negotiating a lease renewal and your landlord is already holding a deposit of yours, negotiate to get that deposit back.

### **Educate Yourself and Get Help**

Unless you have money to throw away, it pays to educate yourself. Taking the time to read about the subject or listen in on a leasing webinar will make a difference. And, don't forget to have your lease documents reviewed by your lawyer before you sign them. With hundreds of thousands of dollars in rent at stake, personal guarantees, and other risks, you can't afford to gamble.

As a final thought, pharmacy owners are susceptible to rent increases. Landlords will charge what the market will bear, but do build in some room to maneuver and expect counter-offers. By taking your time and standing your ground, you can save a great deal. As proof, I recently received a call from a pharmacy owner. He feared that his current rent of \$15 per square foot would nearly double to \$29 PSF (an amount proposed for his lease renewal) and asked for help. In the end the lease renewal was successfully negotiated. His rent increased to a lesser amount—\$22 PSF—and effectively saved him \$110,000 over his remaining five-year lease term.

In leasing, tenants don't get what they deserve; they get what they negotiate. **ap**

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