

Preleasing Undeveloped Property— For Podiatry Tenants

They can be a good deal if you avoid the traps.

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As either a new or existing podiatry tenant, you may be tempted to pre-lease undeveloped property (to open a new clinic or move your clinic to). As we explain in our book, *Negotiating Commercial Leases & Renewals FOR DUMMIES*, this is potentially the most unpredictable lease agreement for a tenant to enter into. Why? The answer is simply because you can't visually assess the property or physically touch the bricks and mortar.

Often in these types of deals, the podiatry tenant is required to make a long-term leasing decision and commitment based only on the landlord's design drawings—which the landlord can typically unilaterally change. We remember one pre-lease deal where the landlord not only changed the color scheme and exterior look of the property (so as to save money), but also did so against the wishes of all the tenants who had already signed leases. Additionally, there are no existing tenants to talk to about how their business is doing within the property (as there are no tenants open for business yet).

On the other hand, some of the best leasing locations are preleasing opportunities or new properties under development, especially if the physical location or land is well situated. The Lease Coach has successfully completed many pre-lease deals

a set percentage of done deals or leased space. The agreement with the mortgage holder may be that once the landlord gets signed lease agreements for 50 or 60 percent of the property, the funding package is approved and finalized, and then

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for our clients with excellent long-term results. Just keep in mind that landlords often reserve the right to make changes to your unit without tenant consent. This can affect the size, shape, physical location of the tenant's desired premises, the building itself, or even the grouping of buildings.

One trap to avoid is signing the lease agreement and then waiting months while the landlord tries to finish leasing up the property. Some landlords won't—or can't afford to—start construction until they hit

(and only then ...) the property can be built. Ensure that you have a termination date in the event that the commencement of the development is delayed beyond a reasonable timeline or your requirements.

Another trap to avoid is where the landlord is going forward with the development but has only secured a handful of tenants. This will result in a more vacant property that people will not be encouraged to visit. To be successful, a proper tenant mix and synergy are re-

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quired—especially for retail plazas. Again, you can look to have a right of termination in the event that there is not a certain level of pre-leasing achieved by a specific date, or negoti-

ants; however, this is only a wish list for the landlord. If a specific anchor or other tenant fails to materialize, this obviously affects your site selection process and even the rental rate you're willing or capable of paying at that property. As one of the

uct built) and the more you can anticipate for some of these potential hurdles through strong planning and a well negotiated lease, the better your opportunity to end up with a strong lease in a desirable new commercial property. **PM**

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ate to only have your rent commence in full once the tenancy reaches a pre-defined level.

If you're one of the first tenants signing a pre-lease deal for a new development, you may be disappointed with your new neighboring tenants. The marketing material for the new commercial property may show a great mix of potential ten-

ants; however, this is only a wish list for the landlord. If a specific anchor or other tenant fails to materialize, this obviously affects your site selection process and even the rental rate you're willing or capable of paying at that property. As one of the first tenants in a new property, think also of the potential headaches for visiting patients ... no matter how enticing your clinic will be, these patients may not want to navigate a construction zone just to get to your place of business.

In closing, remember the biggest challenge is anticipating unknowns (timing, other tenants, the final prod-



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