

Unique lease requirements crucial for medical tenants

There requirements of a general office lease versus a medical office lease vary drastically. Most medical tenants think the main difference between a general office lease and a medical lease has to do with the physical location of the property. While location must certainly fit within the medical tenant's criteria, once the property has been selected, many unique lease requirements are necessary and should be included in a medical office lease.

One of the most important – and critical – requirements has to do with protecting the medical tenant's ability to practice medicine without being at risk by agreeing to damaging contractual obligations and liabilities, both of which could affect the medical tenant's financial well-being.

A medical tenant's large investment in capital improvement also differentiates a general office lease from a medical office lease. Several key items in a medical tenant's lease should be included to protect the tenant's financial interests:

■ A medical professional should negotiate a non-disturbance clause with the owner and lender and include this agreement as a part of the lease. By Texas law, in the event of foreclosure, all leases are void. Should this occur, the medical tenant must renegotiate his/her lease with the new owner and has



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few choices, as he must protect his large investment in improvements. By negotiating a non-disturbance clause, the medical tenant is protected from a rent hike or possibly be vacated.

■ A typical medical lease term should be 10 years with two five-year options for renewal. The lengthy term options are necessary to amortize buildout costs of \$70.00 to \$150.00 per square foot. The two five-year renewal options should be negotiated during the primary lease negotiation at an agreed-upon formula. Under these terms, the tenant is protected from large rate increases and the landlord is protected from a decline in the real estate market. All parties win.

Renewal option rights must convey in the event of sale or sublease of the practice. The landlord will not have the right to terminate the lease in this event. This guaranties the continuity of the practice location.

Materials and supplies used in the operation of a medical or dental office must be addressed and defined as "nonhazardous" in the lease contract. Typically landlords do not allow hazardous material on the premises and would preclude the use of medical supplies to treat their patients.

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