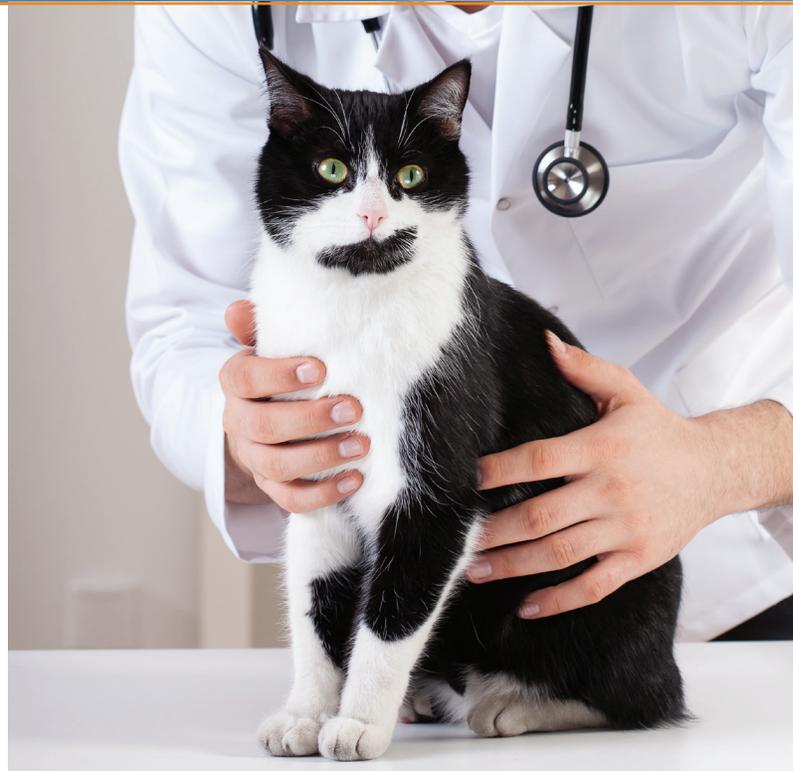




## THE PROS AND CONS OF BUYING VS. LEASING VETERINARY OFFICE SPACE

When establishing a veterinary clinic or animal hospital, one of the many decisions you may face is whether to **buy commercial real estate**, or **lease your space**. Read on to learn about the advantages and disadvantages of both.





# CONSIDERATIONS OF BUYING COMMERCIAL REAL ESTATE

## 1. Property Ownership Pros and Cons

Buying a building or other commercial space provides flexibility over how to use the space, and the freedom to control the property, as you are, in essence, your own landlord. You also have the opportunity to build real estate equity.

On the other hand, buying commercial real estate comes with its own disadvantages and risks. First and foremost, buying a clinic requires a large up-front financial investment. You will be taking on quite a lot of debt in the form of a mortgage, and of course there are risks associated with any real estate investment.

A veterinarian who purchases will also acquire a great deal more responsibility, and as a landlord/property manager, increased duties and obligations will take time and concentration away from the core business of animal health.

## 2. The Separation of the Real Estate Investment and Your Clinic

Acquiring a commercial property is expensive and comes with certain liabilities. It is recommended to keep your real estate investment and veterinary clinic as separate business entities so that it's not the "veterinary clinic" that is buying the real estate. This helps to maximize the value of each entity, and also separates the applicable responsibilities and liabilities. A properly structured veterinary office lease agreement should be created between the two businesses to provide further protection. This will be important should either be sold in the future.

## 3. Selling Complications in the Veterinary Office Lease

At the time of retirement or clinic transition, a veterinarian who has purchased the property of their office either transitions into a landlord or sells the property. However, it is often quite difficult to sell the clinic and the real estate property to one buyer.

In the case of a veterinarian who leases their office space, as long as "Assignment" provisions are well structured in the lease agreement before signing it, they should have the flexibility to sell their clinic or transition out of it by transferring it to another veterinarian, risk and hassle-free.



# CONSIDERATIONS OF LEASING VETERINARY OFFICE SPACE

## 1. Location, Location, Location

Location is a critical factor to the success of a veterinary clinic/animal hospital. In many cases, the best clinic locations may not have purchase opportunities. Buying may require you to select from a less desirable or lower-trafficked area, and ultimately, a less profitable location. Leasing may therefore be the best option for the success of your veterinary clinic.

## 2. The Flexibility to Relocate or Expand

Leasing office space gives you the flexibility to move, if need be. Although relocating a veterinary clinic is expensive and not the most feasible route, there may be situations where it makes the most sense for your personal and professional goals. Perhaps the community/location has changed over the years and the demographic is no longer ideal for your practice. What if your business plans have changed, and you want to expand and require more operating/exam rooms? What about property depreciation and external influences that change over time?

Whatever the reasons may be, they were likely unknown to you at the time of signing your veterinary office lease agreement, making it critical that you fully understand the terms of your lease, and its hindrances. With leasing, you could have the flexibility to move based on changes to your clinic goals and the terms in your veterinary office lease agreement.

## 3. Greater Working Capital

Buying real estate for your animal hospital will tie up significant capital that could otherwise be used towards building out your clinic, purchasing equipment, marketing, hiring/training staff, etc. Leasing space can alleviate the stress of some of these and other startup costs, allowing you to become profitable, sooner. Consider whether investing in business development for your core business, the veterinary clinic, will yield higher returns than investing in real estate.



## EVALUATING BUYING VS. LEASING VETERINARY OFFICE SPACE

When you review the **pros and cons of buying vs. leasing veterinary office space**, you must consider the stage of your veterinary career, your future business plans, the financial resources available to you, and your comfort level with risk. Commercial real estate investments are certainly an added complexity that will shift capital, time, energy, and other resources away from your core business practice. With everything considered, does buying truly make sense for your veterinary clinic, or are you best served leasing a space and negotiating a lease agreement to maximize flexibility and business potential? By carefully reviewing all of the facts, you can make an educated decision on whether to buy or lease your veterinary office space.

*Does buying truly make sense for your clinic, or are you best served leasing office space?*

If you have any questions about buying or leasing a veterinary office, contact Cirrus for a complimentary consultation by calling 1.800.459.3413, or emailing [info@cirrusconsultinggroup.com](mailto:info@cirrusconsultinggroup.com).