LEGAL LINGO

Leasing Your Veterinary Hospital

What every tenant needs to understand before signing.

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This is the second installment of a two-part series on veterinary real estate lease transactions. The first article looked at the lease from the seller-landlord's perspective. This article flips the lens and focuses on the veterinarian leasing hospital space from an independent landlord, former practice owner, or corporate entity. Many of the same provisions appear in both situations, but the practical risks are very different.

For a veterinary tenant, a lease is not just a routine document signed on the way to opening or expanding a practice. It can shape cash flow, operational control, growth plans, and exit options for years. Most veterinary leases are about more than paying rent for space. They're also about allocating risk. The key is understanding those risks before they become expensive surprises.

You May Be Taking on Ownership Economics Without Ownership

Many veterinary leases are structured as triple net, or NNN, leases. That means the tenant pays not only base rent, but also real estate taxes, insurance, and operating costs. On paper, this may look standard. In practice, it can create an economic structure that looks like ownership without the upside. A tenant may be responsible for utilities, service contracts, property taxes, and significant maintenance obligations while still having no equity in the building and no control over its long-term value. Before signing, ask: Am I paying like an owner while still being treated like a tenant? If the answer is yes, the economics and risk allocation deserve closer review.

Rent Is Not Always What It Seems

The base rent usually receives the most attention, but it rarely tells the full story. Many leases require rent to be paid without setoff, deduction, or abatement. In plain terms, the tenant may have to keep paying rent even if repairs, access issues, or property conditions interfere with the practice.

For a veterinary hospital, that can be a meaningful business risk. If operations are interrupted, revenue may slow while rent continues. The issue is not just what rent is due each month, but whether the lease provides relief when building issues materially affect the tenant's ability to operate.

Maintenance, Taxes, and Operating Costs

Maintenance provisions deserve close attention because they can shift major financial responsibility to the tenant. A lease may say the landlord handles structural components while the tenant handles day-to-day maintenance, but the details matter. Parking areas, exterior upkeep, HVAC systems, and other building elements can create high costs if the lease does not clearly distinguish ordinary maintenance from capital repairs or replacements.

The same is true for taxes and operating expenses. If these costs are passed through to the tenant, they can increase over time in ways the tenant cannot control. A well-drafted lease should identify which expenses are included, whether controllable operating expenses are capped, and whether the tenant has audit rights to review amounts being charged.

Exclusivity: Protecting Your Market

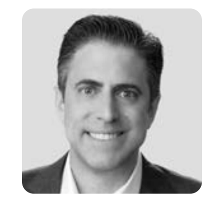
One often overlooked protection is an exclusivity clause. This provision restricts the landlord from leasing nearby space to a competing veterinary practice or similar pet care operation. For a veterinarian investing in a location, staff, equipment, and client relationships, that protection can be important.

Exclusivity matters most in multi-tenant properties, retail corridors, and locations where the landlord controls other nearby space. Strong language should define the restricted area, the competing use, and the period during which the restriction applies, including renewal terms. Vague language can be easy to work around, so specificity matters.

Default Provisions Are One-Sided

Most leases contain strict default provisions. Missing rent, failing to provide insurance documentation, or violating operational requirements can trigger significant consequences. Tenants sometimes overlook that liability may continue even after the landlord terminates the lease and re-leases the space. Depending on the lease, the former tenant may remain responsible for the difference between the original rent and what the landlord collects from a replacement tenant.

Default provisions should include reasonable notice and cure rights. A fixable issue should not immediately threaten the entire practice. Monetary and non-monetary defaults should be handled with enough clarity and flexibility to avoid disproportionate consequences for correctable problems.



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Assignment Flexibility Is One of Your Most Important Rights

Assignment and sublease rights are among the most important provisions in a veterinary lease. They become critical if the tenant sells the practice, brings in a partner, restructures the business, or changes the practice model. A lease that requires unreasonable landlord consent, or prevents assignment altogether, can severely limit a veterinarian's exit options.

Ideally, the lease should permit assignment with reasonable landlord consent and address whether the original tenant is released from future liability after an approved transfer. Without that flexibility, a practice sale or succession plan may be harder to complete.

Purchase Options: A Critical Tool for Independent Veterinarians

For independent veterinarians, a purchase option can be especially valuable. It gives the tenant a defined opportunity to buy the real estate rather than relying on the landlord's willingness to sell later. A verbal understanding that the landlord "may sell down the road" is not enough. If ownership is part of the tenant's long-term plan, the option should be written into the lease.

A strong purchase option should address when it can be exercised, how the purchase price will be determined, and what conditions could cause the right to be lost. It also should be flexible enough to accommodate ordinary business changes, such as adding a partner or restructuring the practice entity, without unintentionally forfeiting the option.

The Bottom Line

A veterinary lease is a business document that defines risk, control, and flexibility over time. The goal is to secure space and to ensure the economics, obligations, and exit pathways align with how the veterinarian intends to build, operate, and eventually transition the practice. Before signing, tenants should look beyond the rent number and understand what they are taking on, what protections they have, and what options they may be giving up. TVB

STORY ARCHIVE

Scan the QR code to read the first installment of this series, "From Veterinarian to Landlord," published in the August/September 2026 issue of Today's Veterinary Business.