

REAL ESTATE CONSIDERATIONS

1. Why Is Real Estate Important to Your Practice?

1. **Second highest expense** for most practices
 2. Impacts patient retention
 3. Increases practice value when selling
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2. Types of Real Estate Transactions

Early Career	Mid-Career	Late Career
New office Practice acquisition	Relocation Expansion Renewal Purchase	Sale Lease to tenant

3. Site Selection Considerations

- Traffic
 - Natural light/windows
 - Parking
 - Building quality
 - Signage
 - Neighbors
 - Access
 - Amenities
 - Retail vs. Office
 - Proximity to competition
 - Proximity to referral relationships
 - Demographics
 - Commute
 - Non-compete
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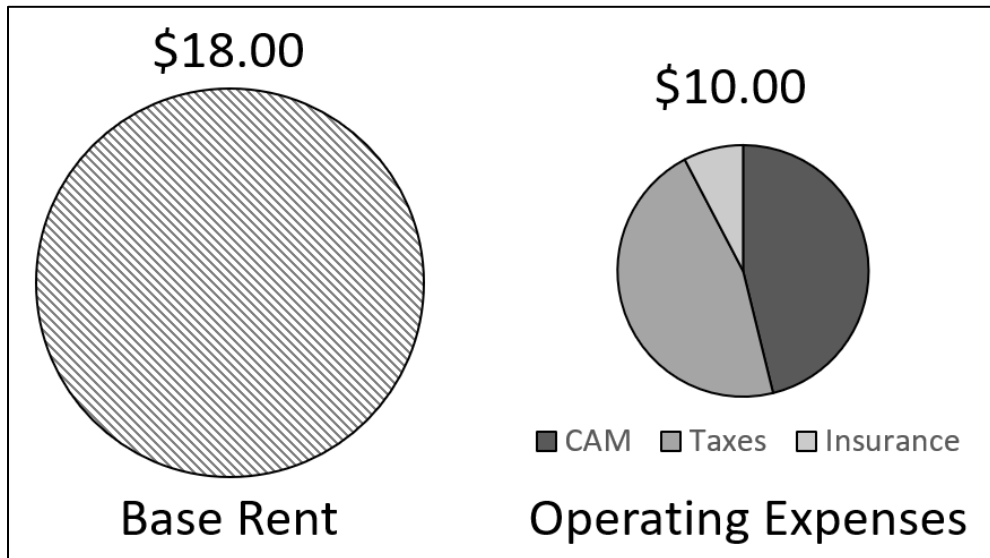
4. Lease Negotiations

Roles:

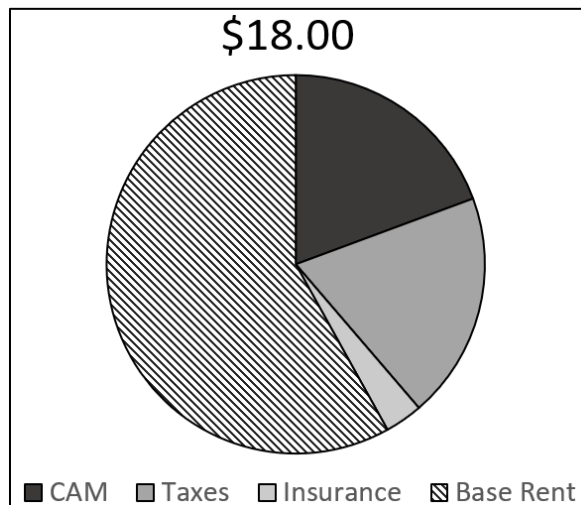
<p>Landlord Landlord Rep Landlord Attorney</p>	<p>Tenant Tenant Rep Tenant Attorney</p>
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Triple Net (NNN) vs. Full Service Gross (FSG)

NNN



FSG



4. Lease Negotiations (cont.)

Negotiable Items

- Term
 - Rate
 - Buildout time
 - Free rent
 - Tenant Improvement (TI) allowance
 - Signage
 - Reserved parking
 - Assignability
 - Annual escalations
 - Right of relocation
 - Exclusivity
 - Personal guaranty
 - Renewal option
 - Purchase option
 - Delivery condition
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5. Purchase

Negotiations

- Price
- Earnest money
- Due diligence period
- Contingencies

Purchase vs. Lease Considerations

- Is it always better to own?
 - No hard/fast rule
 - How does it affect your cash flow?
 - Short term vs. Long term
 - Principal paydown and equity
 - Tax implications
 - Exit strategy
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6. Timing

New lease or purchase	9 -12 months
Renewal	2-3 month process, begin planning/review 18 months from expiration
Land purchase/ground-up project	18-24 months
Acquisition	30-60 process, begin planning during practice purchase negotiations

7. Miscellaneous

How Real Estate Impacts Practice Sales

- Practice value
- Lease assignability
- Lease term
- Own – fair market rent

Common mistakes

- Waiting for the “perfect” property
 - Relying on bad advice from patients, friends, family, colleagues
 - Not using representation immediately
 - Negotiating on only one property
 - Not giving yourself enough time
 - Relying on real estate for marketing
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