



Essential Guide for Dentists as

COMMERCIAL TENANTS & BUYERS

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SIMPLIFY YOUR PATH TO SUCCESS

Introduction

At Mirlo Real Estate Partners, we are advocates for dentists. We are commercial real estate agents, who only represent commercial tenants and buyers - never landlords or sellers - so there aren't any conflicts of interest.

Over the years, we have learned that well educated tenants and buyers make the best decisions for their businesses, and because winning the best deals for our clients is our number one priority, we have created this essential guide to help prepare dentists as both tenants and buyers for their practices' commercial real estate transactions and simplify their path to success.

In this guide, we will present the basics of starting a commercial real estate transaction for both leases and purchases, including the jargon, the steps to the process, the different parties involved, and where to begin. All together, this guide serves as a high level overview, outlining the highlights every dentist should know.



At Mirlo Real Estate Partners, our mission is to build relationships with people, to provide expert guidance to help business owners make the best real estate decisions for their businesses, and thus to improve as many lives as possible along the way.



What's Inside

LEASES VS. PURCHASES

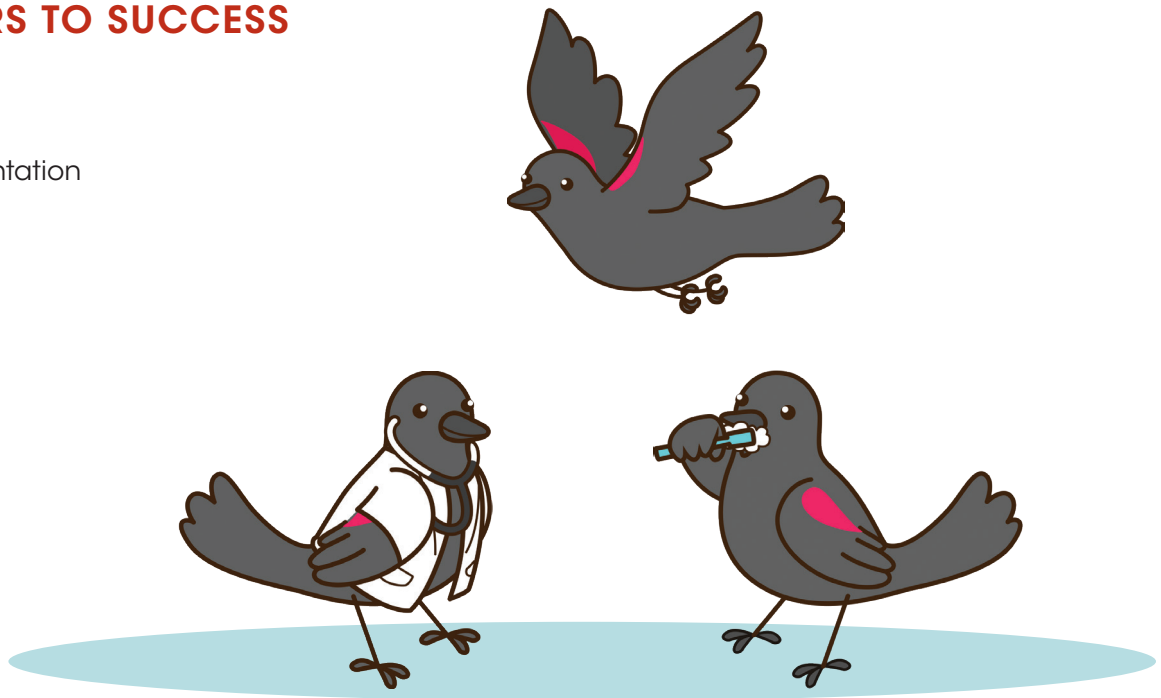
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3 PILLARS TO SUCCESS

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Lease Types

Not all leases are created equal. The landlord actually gets to determine the lease structure and template, but the type will be included with the listing details for potential tenants to see before touring.

What is the main difference between leases? Simply put, it comes down to which operating expenses are included with the base rent.

Nets are another term for operating expenses, and there are three of them:

- Common Area Maintenance (CAM)
- Property Taxes
- Landlord's Insurance

Gross Leases

These leases include all or most of the operating expenses with the base rent price, with the most inclusive type being Full Service Gross (FSG). These are most common with either very high-end properties to create an all-inclusive experience or with very small landlords who like to keep their leases simple.

Net Leases

These leases exclude all or most of the operating expenses with the base rent price, with the least inclusive type being Triple Net (NNN). Triple Net leases are very common. They are more predictable for landlords, because when a property is fully leased, the tenants assume all the risk for increased operating expenses. They are common in industrial, retail, flex and medical office buildings.

Hybrids

Some leases are in the middle of the spectrum. Modified Gross (MG) leases are commonly found in office buildings, which include all expenses for the first year of the lease - better known as the base year - and charge the tenant for the difference of the expense costs each year after.



Caution - because the lease type determines how much of the operating expenses are included with the base rent, the base rent price alone may not provide a direct comparison between properties.

Therefore, it is very important for dentists to factor in the operating expenses into the base rent price to accurately get the full picture and determine which rent price is actually the best deal.

COMPARING PROPERTIES WITH DIFFERENT LEASE TYPES

PROPERTY 1

ENCOMPASS HEALTHCARE PLAZA

Base Rent: \$25.00/per SF

Annual Rent Increases: \$.25/per SF

Lease Type: Full Service Gross

Operating Expenses: \$0.00/per SF*

*because operating expenses are included with base rent

Year 1: $\$25.00 + \$0.00 = \$25.00$ /per SF Total

Year 2: $\$25.25 + \$0.00 = \$25.25$ /per SF Total

Year 3: $\$25.50 + \$0.00 = \$25.50$ /per SF Total

PROPERTY 2

ESSENTIAL HEALTH PARK

Base Rent: \$18.00/per SF

Annual Rent Increases: \$.25/per SF

Lease Type: Triple Net

Operating Expenses: \$8.00/per SF
w/ \$.50/per SF increases per year

Year 1: $\$18.00 + \$8.00 = \$26.00$ /per SF Total

Year 2: $\$18.25 + \$8.50 = \$26.75$ /per SF Total

Year 3: $\$18.50 + \$9.00 = \$27.50$ /per SF Total

PROPERTY 3

FUSION MEDICAL COMPLEX

Base Rent: \$23.00/per SF

Annual Rent Increases: \$.25/per SF

Lease Type: Modified Gross

Operating Expenses: \$8.00/per SF
w/ \$.50/per SF increases per year

Year 1: $\$23.00 + \$0.00^* = \$23.00$ /per SF Total

*because operating expenses are included in the base year

Year 2: $\$23.25 + \$.50^* = \$23.75$ /per SF Total

*because only increases in operating expenses are charged

Year 3: $\$23.50 + \$1.00 = \$24.50$ /per SF Total

COMPARING PROPERTIES WITH DIFFERENT LEASE TYPES CONT.

In multi-tenant buildings, the most common way for describing the amount of operating expenses or certain utilities that are not separately metered that a specific tenant pays is with the phrase, "pro rate share." But what does that mean?

Derived from a Latin term, meaning "in proportion," pro rata is used to describe the ratio between the amount of space occupied compared to the entire property. In other words, the size of the space divided over the entire building size. The calculations on the previous page would be considered a pro rata share, because the operating expenses were charged on a per square foot basis.

Property managers will often charge tenants for operating expenses based on their pro rata share to fairly divide up shared costs among all tenants, so larger tenants pay more than smaller tenants.



Calculating Commercial Rents

Unlike residential, commercial rents are not advertised as a monthly figure, but instead rents are calculated on a per square foot, per year basis. This is primarily because it makes it easier to compare different sized spaces in a building or in the market.

However, as discussed in the last section, the lease structure also needs to be factored into the final rent cost for each space.

To calculate commercial rent, one also needs the square footage of the space, because the base rent will be the price advertised multiplied by the square footage to get the total yearly rent figure. To calculate the monthly amount, the yearly total will simply be divided by 12.

Take note, if the lease structure deems the tenant responsible for the operating expenses, those amounts will also be provided as a price per square foot, per year basis.



RENT CALCULATION EXAMPLES

PROPERTY 1

5,500 SF space

\$25.00 FSG

Yearly Rent:

$5,500 \text{ SF} \times \$25.00 = \$137,500$

Monthly Rent:

$\$137,500 / 12 = \$11,458.33$

PROPERTY 2

6,000 SF space

\$18.00 NNN

+ \$8.00 operating expenses

Yearly Rent:

$6,000 \text{ SF} \times (\$18.00 + \$8.00) = \$156,000$

Monthly Rent:

$\$156,000 / 12 = \$13,000$

From these examples, it is easy to see how both the lease structure and the square footage of a particular space or building can impact the rent price.

Commercial Square Footage

The square footage provided in listings may appear surprising. If one were to take out a tape measurer and measure wall-to-wall, the square footage would likely be smaller than advertised. So what gives?

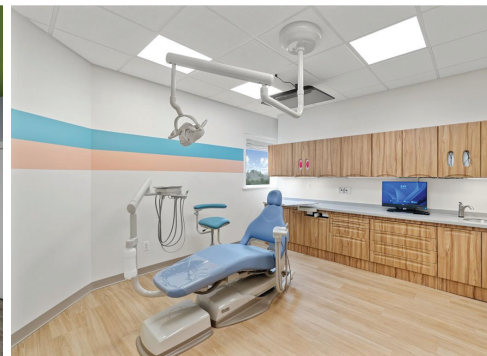
Truth is, there are actually two different square footage figures used in commercial real estate:

Usable Square Footage (USF)

The actual number of square feet located between the walls of the space a tenant occupies.

Rentable Square Footage (RSF)

The figure the landlord uses to calculate the rent, which is the usable square footage plus a portion of the building's common area, known as the load factor. The load factor is calculated by factoring the square footage of all shared areas divided by the total building square footage.



SQUARE FOOTAGE CALCULATION

Space Size: 5,500 USF

Building Size: 50,000 SF

Building Common Areas: 6,000 SF

Load Factor:

$6,000 \text{ SF} / 50,000 \text{ SF} = 12\% \text{ or } .12$

Rentable SF:

$5,500 \text{ USF} \times 1.12 = 6,160 \text{ RSF}$



From this example, it is easy to see how the amount of common space located inside a building will increase the amount of square footage, and therefore increase the amount of rent a tenant pays for too.

Negotiating Leases

Commercial lease terms are negotiable! The bullet points advertised on a listing are simply starting points and can be altered based on the priorities and needs of a tenant.

The negotiation process is started with a proposal or term sheet, and there are two types of document formats which can be formally used:

Letter Of Intent (LOI)

A non-binding offer to lease a property, sent from the tenant to the landlord. The document outlines the most important lease terms for both parties to negotiate prior to drafting a lease. If both parties do not come to an agreement on the deal points in the LOI, then there is no sense in attorneys reviewing each clause in the lease itself.

Request For Proposal (RFP)

Another type of non-binding offer to lease a property, sent from the tenant to the landlord, which serves as an alternative to an LOI. The document also outlines the most important lease terms, but it is postured to allow the landlord to start the negotiations by filling in the blanks first as opposed to the tenant starting with a specific offer for each line item.

IMPORTANT DEAL TERMS

Besides the obvious line items, including space size, base rent, lease type, rest escalations, security deposit, lease term (length of lease), commencement dates, operating expenses, and utilities, the proposal will include several other bullet points in the LOI or RFP.

EXCLUSIVITY

Also known as a non-compete, a clause in a lease which provides the tenant the right to a particular use, while denying all other tenants to operate in the same way or sell the same types of goods and services. This is an important request to some businesses, but not to others.

LANDLORD'S WORK

Construction within a space that the landlord must complete prior to the tenant's move-in. The tenant may also include specific requests for electrical, plumbing, HVAC, etc. under this deal point within an LOI or RFP, or if more detailed, the tenant may decide to list each subcategory separately.

IMPORTANT DEAL TERMS CONT.

LEASE RENEWAL OPTION

Included within many leases, renewal options provide the tenant a right to extend the lease period past the lease expiration date. Renewal options are negotiated along with other primary terms and concessions and are officially included in the lease with their own clause.

PERSONAL GUARANTY

An agreement between the landlord and tenant, signed along with the lease, which states an individual - often the owner of the tenant's entity - will personally be responsible to carry out the responsibilities of the lease if the tenant is unable to do so. These are the most common with start ups or businesses without a long financial history.

RENT ABATEMENT

The official title of a free rent period. Commonly in commercial leases, the tenant will be granted a certain number of months which they will not owe the base rent. Like other concessions, this is negotiated, and the free rent period is most often at the very beginning of the lease term to offset the upfront costs of construction and moving for the tenant.

RIGHT OF FIRST REFUSAL (ROFR)

A lease clause which grants the tenant first priority to either purchase a property or lease other space at a building in the event it becomes available. Either or both scenarios can be included as opportunities in the ROFR clause and is most important to tenants who project future growth.

SIGNAGE

There are typically three categories of signage offered: suite signage (an entrance sign, often a decal on the front door), monument signage (a shared sign with all tenants listed outside the building), and building signage (physically on the building itself). Tenants need to prioritize the importance of each and include their requests in the proposal.

TENANT IMPROVEMENT ALLOWANCE (TIA)

A negotiated concession, which is a designated amount of money provided by the landlord to the tenant to contribute to the construction costs of the tenant's space build out. These funds can only be used for actual construction labor and materials - not equipment or furniture items.

TENANT'S WORK

Similarly to Landlord's Work, this category will include the alterations to the space that the tenant will complete after they take possession of the space. The purpose is for the landlord to approve exactly what construction the tenant will be doing within the space.

Negotiating Leases

START DATES

There are three different dates between when a lease is signed and when a tenant moves into the space. These can all be the same, but rarely that is the case.

Lease Execution

May also be referred to as simply, “lease signing”, is the date the lease is officially signed by both parties. The tenant will sign the lease first, so this date is the date the landlord countersigns.

Lease Commencement

The date the terms of the lease are officially in effect and the lease term period officially begins. This can be several months after lease execution or immediately after.

Rent Commencement

This is the date the tenant pays their first month’s rent. Due to the possibility of rent abatement, tenants can, but commonly do not, pay rent the same month as the lease commencement.

During negotiations, the tenant needs to understand each of these dates, because they will trigger certain events, such as when a tenant has to start paying rent and can take possession.

END DATES

Timing each real estate transaction just right is crucial for a tenant to have the most leverage in negotiations. To do this, tenants who have existing leases need to be aware of two key dates.

Lease Expiration

The date the lease term period ends.

Lease Renewal Option Expiration

Lease renewal clauses vary. The clause may be brief with vague language, such as “then market rates” for the renewal period rent, or the clause may have already pre-negotiated rents for each year of a defined extension period. Any pre-negotiated terms can be renegotiated later on if

the tenant believes a better deal is achievable, but the landlord is obligated to honor the terms contained in the lease renewal clause at a minimum.

Regardless, renewal option clauses will have a deadline for the tenant to exercise this right or else the landlord can deny the request to renew the lease all together.



Lease Renewals

Lease renewals are the most routine commercial real estate transaction, but that does not mean they should be taken lightly. Each transaction is not only an opportunity for the tenant to improve their work life situation, but the decision will impact a practice's future for several years. If not taken seriously, a bad deal can easily cost tens to hundreds of thousands of dollars.

7 LEASE RENEWAL MISCONCEPTIONS LANDLORDS WANT THEIR TENANTS TO THINK



1. The Tenant And Landlord Are On The Same Team

Many landlords use friendly tactics to make the tenant feel they have the same goals, but it is important to remember a landlord's top priority is to make the maximum profit from their property as possible. Even the sincerest landlord is financially motivated to get the highest rent they can, while the tenant is obviously incentivized to pay the least amount of rent possible, meaning the landlord's and the tenant's interests are directly at odds.



2. The Tenant Is Already Getting A Lower Rent

Landlords consider several metrics when determining the base rent they advertise for their buildings, such as the building's vacancy, how long those spaces have been vacant, current space conditions, the landlord's future plans for the building, and more. However, even if a tenant's current base rent is already below the asking rent, that does not automatically mean the tenant is getting the best deal. This is why each transaction warrants a complete market analysis.



3. Easy Lease Renewals Are Better

Another common tactic some landlords use is to send over an easy to-sign, one-page lease renewal amendment with a continued rent escalation increase for the extended lease term to make it tempting for a tenant to take the first offer. A busy and unrepresented tenant, who does not necessarily have the time to dedicate to fully vet other options in the market may just sign it and move on, but the landlord is not going to propose the best deal at the start, and this "easy" option may save time but not money.

7 LEASE RENEWAL MISCONCEPTIONS LANDLORDS WANT THEIR TENANTS TO THINK CONT.



4. Lease Renewals Are Not Negotiable

Alternatively, some leases include a renewal option clause with exact terms to extend the lease by a certain date. However, even those renewal terms are still negotiable, and a tenant doesn't have to take that deal. Tenants should still compare the renewal option terms to the current market to determine if they are getting a good deal.



5. Renewing Is Always Cheaper Than Moving

Some landlords may also try to convince their tenants that their property is the only suitable space for them and moving is certainly going to be more expensive. However, this is not automatically the case. Depending on the market, other landlords may be offering very competitive rents and incentives to new tenants, which may actually save money overall.



6. Tenants Have No Leverage

A landlord is a real estate professional, and they may try to convince inexperienced tenants that they have more leverage than they actually do. They may say they could immediately lease the space to several other tenants, but the truth is that it usually takes months or even years to lease a commercial vacancy. Therefore, if a tenant moves, that creates a significant hurdle for them. Remember, tenants do have leverage too.



7. Tenants Have No Right To Hire Representation

Not all landlords will try to be friendly, but instead some landlords will try to intimidate their tenants by telling tenants they are not allowed to hire a their own agent, but this is a scare tactic and completely false. The landlord wants to not only save money by not having to pay for their tenant's representative, but it also makes it easier for the landlord to win a good deal for themselves when the tenant does not have someone looking out for the tenant's best interest. Commercial agents are prepared to handle these types of landlords, so tenant should stay firm and follow their agent's lead.

Property Purchase Types

Purchase transactions can broadly be divided into two categories:

- Existing Building or Condo
- Land for Ground-Up Construction

Existing structures have the advantage of already having the building's foundation in place, even if extensive construction is needed. Generally, this will save on construction costs and requires a quicker timeline for the dental practice to move-in.

Land has the freedom to be customizable and the benefit of the finished project being completely brand new.

Both types require a due diligence period, and the final space will need to meet zoning guidelines with the municipality and environmental regulations for any licensing and/or lender approval.



Purchase Terminology

Purchase Agreement (PA)

The binding contract signed by both the buyer and the seller with all the terms of the purchase transaction. The PA will also include the important deadlines for the due diligence milestones, which will provide the buyer and/or the seller opportunities to terminate the agreement prior to closing. If both parties agree, the PA may also be amended during the due diligence period if terms of the purchase change.

Note, a Letter Of Intent is used for the buyer and seller to negotiate the most important terms of the purchase prior to the drafting and reviewing of a PA.

Bill Of Sale

A contract drafted during the due diligence period, which states the transfer in ownership of any personal property between the seller and owner. This is only applicable to existing buildings or condos where the owner will include items, such as furniture or equipment with the purchase.

Earnest Money

Stated in the PA, is upfront funds paid by the buyer to go towards the purchase price at the time of PA execution. The money is held with a third party - typically the title company - until transferred at either the closing or during a milestone event during the due diligence period where either the earnest money is refunded back to the buyer or paid to the seller.

Estoppel Certificate

Only applicable for the purchase of an existing building or condo where there is at least one tenant with an existing lease in place, the estoppel certificate is a signed statement verifying the important terms of the existing lease between the seller and the tenant. Its purpose is to provide confirmation to the buyer of all terms and expectations of the soon-to-be new tenant, whose lease will need to be honored until the lease expiration.

Appraisal

A report which determines the value of a property by an objective third party, an appraiser, who is hired by the lender. There are three main methods of determining a property's value, and the appraiser will decide which method is the most applicable for the property in question.

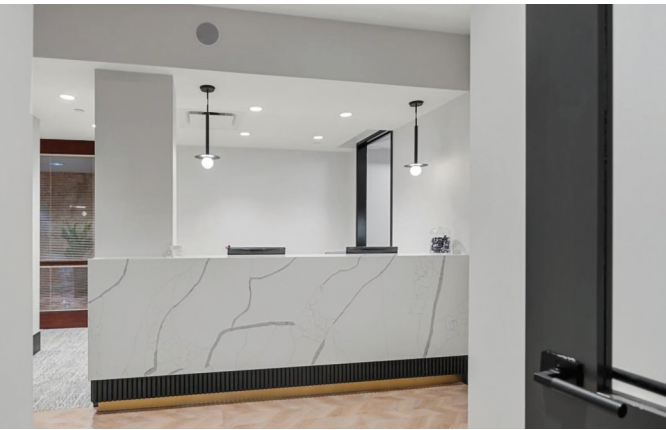
Inspection

An assessment of an existing building's or condo's condition, which is conducted by a third party, an inspector, who is hired by the buyer. This report will provide important information regarding the property's mechanics, systems, and materials to determine if the buyer is still willing to proceed with the purchase of the property under the same terms outlined in the PA.

Purchase Terminology Cont.

Survey

Mandated by the lender and title company, and necessary for architects, a survey provides a complete analysis of not only the property's boundaries, but all the physical details, agreements, regulations, and restrictions associated with the property. The type of survey needed will depend on the type of property, with an existing condo requiring the simplest report and land requiring the most complex evaluation.



ENVIRONMENTAL SITE ASSESSMENTS

There are two tiers of environmental site assessments:

- Phase One
- Phase Two

Both environmental assessments are studies conducted by an environmental consultant, hired by the buyer, to determine the amount of environmental damage or risk equated to a particular property.



A Phase One is the initial assessment, which is less extensive and will either deem a property to be safe or will require additional testing - a Phase Two - to gather more information. A Phase Two will provide the most comprehensive data and require physical sampling and testing. If a Phase Two is done, this will add much more time to the due diligence period and potentially inform the buyer of the extent of the issues and whether costly remediation is required. A Phase One will be required by the lender, but it does provide value even if the buyer does not need funding. After all, a dentist would not want to occupy a space that may be dangerous to themselves, employees, and patients.

Buyer's Due Diligence Checklist

Once a Purchase Agreement has been signed, the overall timeline to the closing is typically 45-60 days for an existing building or 70-120 days for land. Assuming the buyer has already secured preapproval for financing and hired an architect, below is a step by step checklist of the process.

Week 1:

- Confirm Title Company Selection
- Deposit Earnest Money
- Confirm Title Work Ordered
- Receive Seller's Disclosure & Property Documents
- Choose Lender from Interviews
- Interview General Contractors

Weeks 2-3:

- Order Inspection (this can take 15-20 days)
- Order Survey (this can take 21-30 days)
- Order Phase One Environmental (this can take 21-30 days)
- Review Title Work
- Review Plans with Architect from the Mechanical, Electrical, & Plumbing (MEP) Engineers

Weeks 4-5:

- Share Survey with Lender and Title Company
- Review Inspection
- Review Seller's Disclosure & Property Documents
- Check-In with Architect to Finalize Plans and Buildout Finishes

Weeks 6-7:

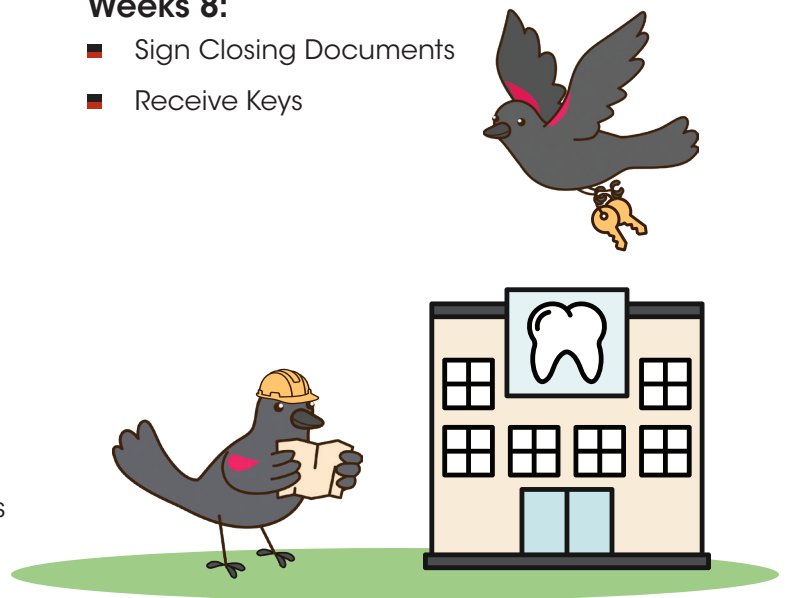
- Receive Appraisal Results and Loan Approval
- Create Legal Entity and Lease to Separate Property Ownership from Business
- Purchase Property Insurance

Weeks 8:

- Review Closing Documents
- Review Loan Documents
- Schedule/Confirm Closing Time

Weeks 8:

- Sign Closing Documents
- Receive Keys



Note, this checklist is for purchasing an existing building. A land purchase will take longer during some stages due to the additional time for municipality board meetings and approvals.

Purchase Vs. Leasing Comparison

As a dentist, exploring the market for both lease and purchase options is a good practice. One route may be obvious for some dentists, but others may be surprised by the achievability and benefits of the other path.

Purchasing

10-25% down payment at closing

Building maintenance costs with opportunity for rental income

Fixed mortgage rate for planning stability

Building equity and long-term appreciation value

Responsibility and independence as the property owner

Interest payment + building depreciation tax deduction

Leasing

First and last month's rent + security deposit at lease signing

Tenant Improvement Allowance + freedom for operations investments

Ability to adapt to more favorable market conditions in the future

More flexibility to move for future growth

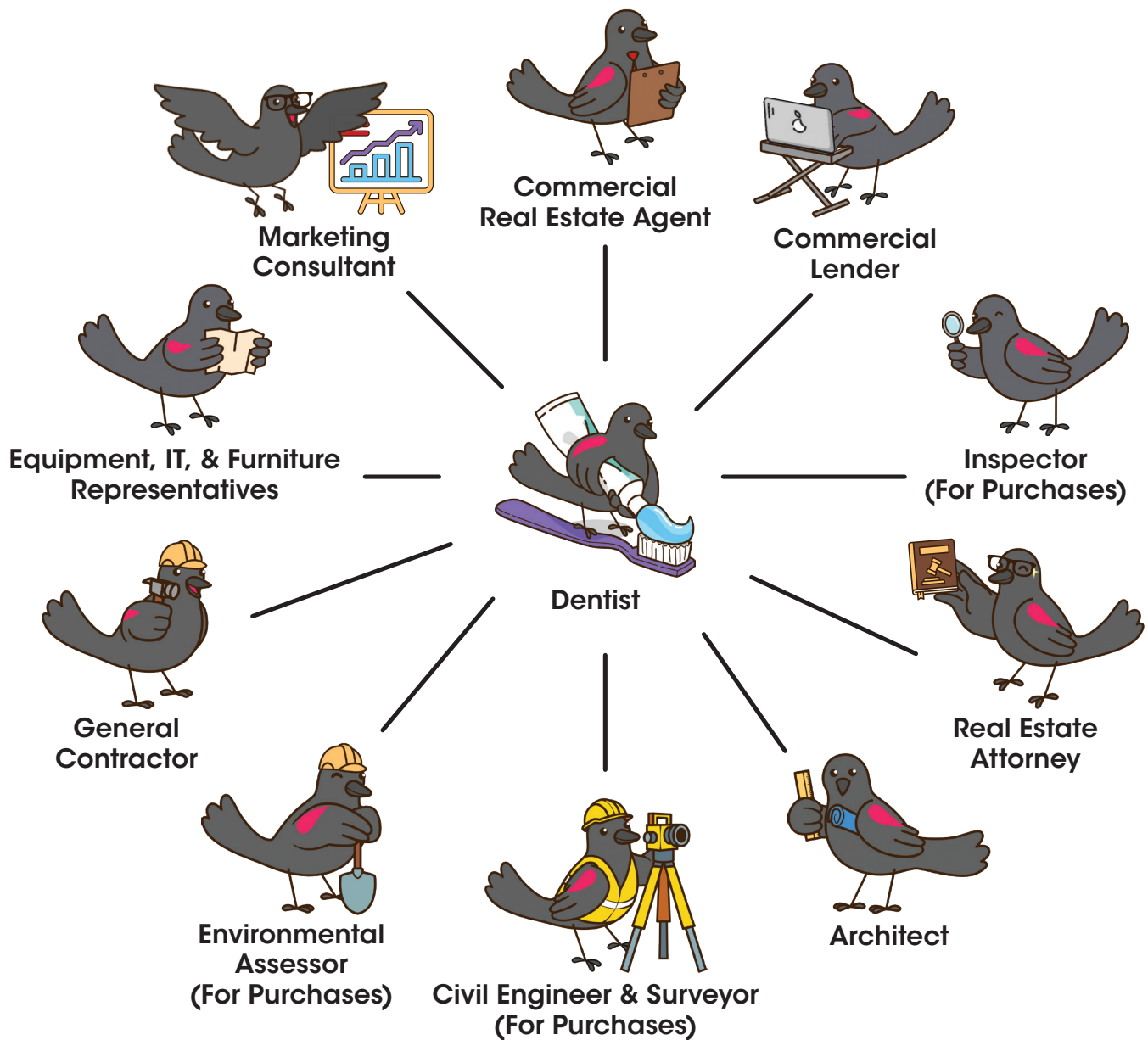
Landlord is responsible for property management

Lease payment tax deduction

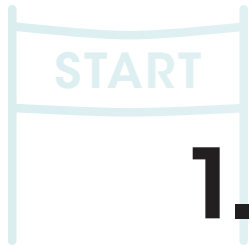
Key Team Members

No matter the commercial transaction, a dentist will need to hire a team of professionals who will work together along the way to reach the final goal, and the first hire is usually us - the commercial real estate agent. This is not only because we can provide the best service by being involved in the very first steps, but because we have relationships with several companies and people in all the other categories, which means we know who to recommend for each dentist's unique project.

INTRODUCTION TO THE TEAM OF HIRES



Summary Snapshot



1. Conduct a needs analysis to understand the space requirement.



3. Explore the market to assess all viable options.



5. Use leverage to receive multiple competitive offers.



7. The architect finalizes the plans for the build out of the space.



9. Ready to move-in!



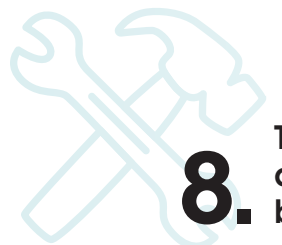
2. Based on the requirement, select a lender to receive pre-approval for funding.



4. Tour the top property choices.



6. Select the best deal and the attorney reviews the contract to sign.



8. The general contractor and construction team brings the space to life.

1. Needs Analysis

In preparation for each real estate opportunity, the first step for the dentist is to determine a space requirement - to know what type of space to search for exactly. Defining the non-negotiable items and prioritizing the level of importance of the remaining space components will provide clarification and definition of the ultimate goal. To do this properly, a dentist can start with this list of key variables to assess in detail, one-by-one.

NEEDS ANALYSIS 9 FACTORS TO CONSIDER



1. Size & Growth

Luckily for dentists, calculating the ideal space size is not too complicated. As a rule of thumb, for a single practitioner, the size range is 1,800-2,400 SF. Orthodontists may need slightly more space with a range of 2,000-2,500 SF, and endodontists can get by with a slightly smaller space with a range of 1,500-1,800 SF for single practitioners. Furthermore, a standard operatory size is 126 SF, but a quick approach to calculating the total square footage is taking the number of operatories and multiplying by 400 SF. For example, 5 operatories X 400 SF = 2,000 SF. Also keep in mind the possibility of future growth, because even with a lease for a dental practice, the term will likely be 10-12 years. Some dentists prefer to have extra space for future operatories without installing the actual operatories to start. If more square footage is immediately unachievable, a dentist may prioritize a building which could easily accommodate future growth by expanding into adjacent space.



2. Business Vision

This is the roadmap for a dentist's future success. Whether launching a new practice or managing an established one, having a clear vision is essential. For startups, this begins with crafting a business plan, outlining the desired patient experience, and defining how to align the right team, systems, and space to bring that goal to life. It's important to identify the ideal patient to design an environment that exceeds that person's expectations. For existing practices, revisiting the original business plan helps ensure alignment with the practice's founding goals. Has the practice evolved from its original vision? If so, adapt that plan to reflect those changes while maintaining focus on those core objectives. It's equally important to guard against distractions from this vision as well. Whether it's advice from others or tempting financial opportunities, a dentist should not go off course. Ultimately, the business vision should remain rooted in the fundamental reason the dentist chose to become a practice owner in the first place and reflect their values and purpose.

NEEDS ANALYSIS 9 FACTORS TO CONSIDER CONT.



3. Design

Depending on the type of dental practice and the vision, the layout of the space may vary. For example, pediatric dentists and orthodontists may prefer larger waiting areas to accommodate room to keep children occupied, and oral surgeons are going to have more enclosed rooms for exams and surgeries. Also, a dentist will want a space to fit their brand too. This may take some imagination prior to involving an architect, but take time to determine style preferences at the beginning. We recommend creating a brand board with tools, such as Pinterest, for inspiration. A minimalist style may feel cold to some people, but modern and edgy to others. Wainscoting and chandeliers could come across as outdated, or it could be impressive and elegant. The aesthetics of a space need to be intentional and make sense for the practice's identity and functionality.



4. Demographics & Competition

Aligning patient preferences with the practice's goals in the business plan is pivotal when selecting the right location too. Demographic analysis tools provide insights into neighborhoods to determine which areas work best with the vision. For example, if a dentist finds fulfillment in serving elderly patients, it would be most strategic to open a practice near retirement communities, rather than new developments with young families. Additionally, assessing the local demand for specialized services is essential. For instance, an endodontist may struggle in a small town that already has a well established provider with the same specialty. For startups, it's also important to factor in any existing non-compete agreements, which may restrict the ability to open a clinic within a specific radius of another practice.



5. Building Type & Class

The type of building also needs to be considered at this stage, because different types of buildings communicate different messages to patients. A free-standing building in a neighborhood feels much more casual than a high-end office building with a fancy lobby and elevator. And a dental practice located in a retail shopping plaza is going to feel more relaxed and inviting, whereas a practice in a medical office building feeds off the synergy of other providers, giving the space a sense of prestige. None of these building options are right or wrong for everyone. Dentists just need to decide which type of space best fits their vision.



6. Visibility & Signage

Dentists should also consider how patients will find the location and where they will be coming from. Does the practice need to be near a public transit stop? If people are commuting off a highway, is the location easy to identify and turn into from the main road? Is the building tucked back into a larger complex? If so, how are the way finding signs? How is the traffic during rush hour every day in the area? The amount and type of signage available could also rule out some properties, so that factor alone needs to be prioritized from the beginning.



7. Common Areas

Zooming out from directly inside the space, people will notice its surroundings as well. Some dentists may want as little shared space as possible due to convenience and cost savings, while others prefer amenities and plan to make use of a shared lobby or outside lunch area. And if the building does have interior common areas, are those easy to navigate? Do they feel inviting? Are the shared bathrooms outdated? Are the stairways clean? Does the landscaping outside look nice and well-kept? Some of these things can only be determined in-person, so dentists should keep this category in mind when touring properties.



8. Parking & Accessibility

Stepping outside the building, a dental practice is going to be affected by the convenience of the location itself. Patients and employees are going to need parking. Dentists need to ensure the properties they tour will have enough parking spaces to accommodate everyone during peak hours, and the higher the parking ratio, the better. Typically retail shopping plazas and medical office buildings have the highest ratios. However, the number of parking spots is not the whole picture; the distance from the parking lot to the entrance matters too. The closer this distance, the better, but also there needs to be clear walkways with ramps if any stairs.



9. Timing

Lastly, one of the most significant factors to consider is the timing a space can be available for move-in. Dentists with existing leases will certainly need to pay attention to that existing lease expiration to minimize the overlap of paying for two spaces. However, being without a place is even worse. Remember, construction often takes several months to complete, but if time is not abundant, prioritizing spaces with existing medical layouts or blank slates will save on both time and money in terms of construction.

LEVERAGING MARKETING COMPANIES FOR PRACTICE GROWTH

Partnering with a marketing company is essential for building a new dental practice's brand, establishing a strong online presence, and attracting the right patient base. First, during the needs analysis phase, a skilled consultant can provide valuable demographic insights, helping to identify the most suitable city or neighborhood to align with the practice's target patient profile. Additionally, marketing efforts should begin at least six months prior to the practice's opening to ensure a seamless launch and allow them to develop branding strategies that reflect the dentist's vision through a professional website, engaging social media content, and targeted outreach campaigns. With a well-planned marketing strategy, the practice will not only attract attention, but also fill its schedule from day one, setting the foundation for long-term success.



The Dentalligentsia Podcast

with Nick Zagar & Remy Isdaner



For more on business planning, vision building, growth strategies, and more, check out The Dentalligentsia Podcast on YouTube where we interview the best experts in the dental industry to share their experience and advice.



2. Pre-Approval For Funding

Besides a commercial real estate agent, a lender is often the first big hire a dentist will select. Depending on the project, some lenders may be a better fit than others. Some specialize in the healthcare - or even dental, specifically - and some specialize in lending to small business owners. In general, a dentist should start by checking with a lender they already bank with, but it is recommended to interview multiple lenders to compare which offerings are available.

As for loans, there are two categories:

- Conventional
- Small Business Association (SBA)

Each type has its advantages, and it is best practice to ask each lender about both to ensure the best terms are secured.

QUICK LOAN COMPARISON

Conventional

Independently, fully funded by the bank

Less restrictions and more options

Not fast, but quicker preapproval timeline

Better interest rates for established businesses with good financials



SBA

Funded by the bank, partly insured by the government

Loan caps, but with some negotiable terms

Easier for businesses to get pre-approved

Available to businesses without long or great financial histories

3. Market Search

With the results from the needs analysis, a dentist will be able to explore all viable options available in the market. Even if the first preference is to renew the existing lease, a dentist needs to still conduct a market search.

3 REASONS TO CONSIDER ALL OPTIONS

1. To Analyze The Current Situation

Commercial transactions have a long-term impact, so with each opportunity, market conditions may have changed, which will determine what is considered a good, bad, or fair deal.

2. To Truly Consider All Viable Options

Negotiating on multiple properties at a time will create competition to provide the dental practice with more leverage.

3. To Provide Peace Of Mind

When it comes time to sign, a dentist will feel more comfortable with the final decision knowing that all the alternative opportunities were investigated too.



4. Property Tours

Touring properties is usually one of the most enjoyable parts of the process for a dentist - and why shouldn't it be? Property tours should be fun, but they also need to be taken seriously, and there are specific factors to look out for at each property stop.

5 PROPERTY TOUR TIPS



1. Be Prepared

Dentist should thoroughly review the key property highlights of each property prior to touring and keep an open mind to options their agent suggests. Already knowing the main details of each location will provide more context to visiting spaces in-person and encourage the focus on physical details, rather than learning the facts on paper, which can be done at any time offsite.



2. Pay Attention To Details

While on-site, dentists need to reference back to their needs analysis. All the factors, such as the upkeep of common areas, the convenience of the parking, and the overall vibe of the building needs to be evaluated while physically at each location.



3. Visualize Each Space

Commercial spaces serve a wide variety of businesses, so dentists need to be open-minded while visiting and should try not to be too distracted with a space's current cosmetic design. Instead, dentists need to be able to envision their own layout and be able to picture how a space can be transformed to fit their needs.



4. Don't Reveal Too Much

Listing agents will try to get as much information out of a prospect as possible, so dentists need to be mindful of everything they disclose. Addressing all questions to and following the lead of their own commercial agent is always best.



5. Tour Again

Touring the top property choices a second time is a great idea. Dentists will likely notice more details during another visit. Bringing vendors, such as their architect, general contractor, and/or equipment supplier along for the next tour to better visualize potential layouts will be helpful too.

5. Offers & Negotiations

After property tours, a dentist will need to select the top two to four options and submit offers for each of them, either via Letter Of Intent (LOI) or Request for Proposal (RFP). Even with lease renewals, an LOI should be used to formally begin negotiations with the landlord.

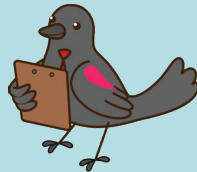
LOIS VS. RFPS - WHICH ONE TO USE?

LOI

Lease renewals - because the current lease terms are already established

Purchases - because there are not lease concessions or property management terms to negotiate

Less time - because providing a starting point speeds up the process



RFP

Many choices - because RFPs create more competition

Plenty of time - because one can afford longer response times to seek potentially better offers

Not in love - because more pressure is placed on the landlord to be compelling



6. Contract Review & Signing

Both a Purchase Agreement and lease are binding contracts, and therefore need to be reviewed and approved by an attorney hired by the dentist. By default, leases are skewed to favor the landlord, but a good attorney will tip the scale to benefit the tenant as much as possible.

As negotiations come to an agreement between both parties, the dentist will need to interview and select an attorney. However, not just any attorney will execute the job well. The dentist needs to specifically hire a real estate attorney.



3 REASONS FOR HIRING A REAL ESTATE ATTORNEY

1. Documents

Real estate attorneys are familiar with all the commercial real estate documents and can quickly navigate them and instantly spot any red flags.

2. Language

Real estate attorneys have the most experience with the language and various clauses to ensure the tenant or buyer is not exposed to any potential pitfall in the future.

3. Timeline

Real estate attorneys understand the steps of and sensitivity of the timeline of commercial transactions. Especially for purchases, they will track each due diligence milestone and work with the dentist's real estate agent to communicate with all parties throughout the process.



7. Space Design

Based on the criteria from the needs analysis, an architect is going to create an initial concept of the space's layout called a test fit. From this sketch, a dentist can better visualize the functionality and look of a space, as well as make changes as they see fit.

Test fits will also be used to receive quotes for construction to provide an estimate of how much the space will ultimately cost. From these quotes, the dentist will know the best way to shape their priorities in the terms of the transaction and can better compare property options.

The architect and equipment supplier will also work with the dentist to choose all the design finishes to brand the space to match their vision.



DESIGN TIPS

- Optimize natural light with interior glass windows or walls
- Upgrade lighting to modern LEDs
- Consider Luxury Vinyl Tile (LVT) flooring for durability and style
- Choose paint colors that encourage the right mood (calming vs. energizing)
- Upgrade door hardware
- Choose comfortable furniture
- Consider the noise and smells for mapping out the kitchen or break room
- Make room for designated storage space
- Create a welcoming entrance and reception for patients
- Find the best balance between patient privacy and a modern layout

8. Construction

Once the lease is signed or the purchase closing is complete with the winning property, a test fit will be finalized. From there, the architect will create a series of drawings for each arm of the construction team, such as a ceiling plan, an electrical plan, a millwork plan, equipment plan, etc.

Even with minimal changes, the construction period typically takes multiple months to complete, and the dentist will have frequent, reoccurring meetings for updates throughout the process.

The dentist will also hire and work with other vendors directly during the construction period to help along the way.

VENDORS DURING THE CONSTRUCTION PERIOD

- Furniture representatives for all types of office furniture
- Technology representatives for IT, cabling, and security installations
- Dental equipment suppliers for medical equipment and supplies



9. Move-In

At last - once construction is complete, the move-in process begins!

6 MOVING TIPS FOR DENTISTS



1. Keep Employees Informed

If relocating, dentists need to ensure their employees are aware of the upcoming changes and moving schedule. Employees can also be good resources for managing certain moving tasks throughout the process.



2. Communicate With The Public

If relocating, be sure patients are aware of the new location and the timing of the move. If a new location, dentists need to be proactive with announcements of the opening to the public.



3. Use The Move As A Growth Opportunity

Many dentists will create a grand and/or soft opening event to show off their new space. Some may run specific marketing campaigns to promote the move too. Dentists should plan their strategy for any marketing efforts in advance.



4. Check With Service Providers

Whether it is insurance or internet, dentists will need to ensure the proper services are in-place at the right time. If relocating, there will be some overlap required for a smooth transition.



5. Perform A Detailed Walk-Through

As the construction period comes to an end, a walk-through with the general contractor will be scheduled to inspect all the work that was done. Dentists should pay close attention to the details during this walkthrough, because this is the easiest opportunity to fix any damage or mistakes.



6. Update All Contact Information

Dentists need to double check all various accounts with vendors to ensure everyone has the updated address and contact information - ideally prior to the big move.

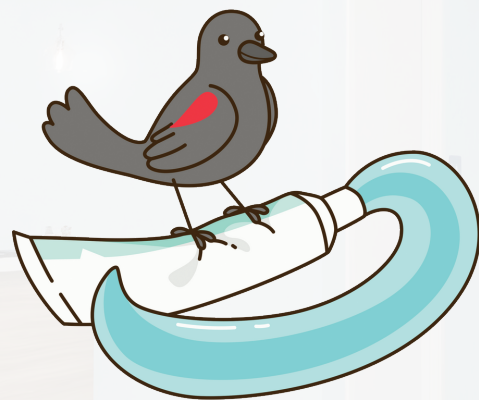
Transaction Timeline

The total timeline for a dental practice - from start to finish - varies pretty drastically based on several factors, including the fact a dentist requires more specialized equipment, plumbing, electrical, and HVAC.

So to start, it is best practice to plan for the target move-in date and work backwards from there to ensure there will be plenty of time.

APPROXIMATE TRANSACTION TIMELINE

WEEK 1	Needs Analysis
WEEK 2-3	Pre-Approval For Funding
WEEK 2	Market Search
WEEK 3	Property Tours
WEEK 4-7	Offers & Negotiations
WEEK 7-10	Contract Review & Signing
WEEK 7-11	Space Design
WEEK 11-33+	Construction



FACTORS WHICH REQUIRE MORE TIME

- A larger practice with multiple decision makers will cause more delays due to more parties and opinions involved, whereas a single practitioner will generally make decisions faster.
- Being a larger space will also add to the timeline, because there is ultimately more space to design and build out.
- Most significantly, choosing ground-up construction will add at least 12 months to the construction period, alone, because not only is there simply more construction to do, but there are more red tape and approvals required with the municipality.

Timing

As covered throughout this guide, timing the process perfectly drastically widens the path to success, because with the proper amount of time allowed, a dentist can find the perfect balance of competitive offers and not feel rushed when making a very important business decision.

THE PERFECT TIMING

Too Early

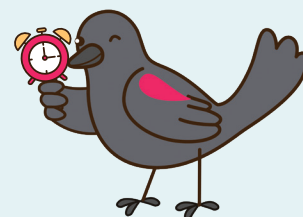
Starting the process too early may cause the landlord or seller to either propose an unfavorable offer to a dentist or just simply decide they are not ready to negotiate yet, despite spending lots of valuable hours evaluating the market. They do this, because they know there is still plenty of time and do not feel any pressure yet.

Too Late

More often, the issue with timing is beginning too late. Unlike residential transactions, commercial transactions take several months from start to finish. If not enough time is available to work with, the dentist may feel backed into a corner, either settling for a property they are not particularly excited about or being forced to pay much more in rent or give up important concessions. The more viable options available for a dentist, the more picky they can be to hold out for the perfect space and the perfect deal.

Just Right

Timing the first step too early is preferred over being too late, but there is a sweet spot to provide the most amount of leverage. Dentists should begin most transactions - including new locations and relocations - 10- 12 months prior to the target move-in date. However, for ground-up construction, the process should start 12-18 months in advance.



Posture

The key to creating a strong posture, which will lead to the dentist to be taken seriously and offered competitive terms is by truly considering all the viable options in the market with each real estate opportunity.

The fact is, property owners and landlords will only offer favorable terms if they know the dentist can and will go elsewhere. If the dentist is only set on one option, why would they need to be persuaded?



Additionally, multiple options provides insurance to the dentist. In other words, circumstances may come up later on during the process that cause the deal to fall through. Sometimes architects discover a buildout is not feasible or is much more expensive, or sometimes a property owner reveals to be impossible to work with, so if a dentist has another opportunity as a back-up option, they will be in much better shape. They will not need to start from the beginning and lose valuable time if they can simply just move forward with option B instead of option A.

Representation

Hiring a commercial real estate agent will not only elevate a dentist's posture, but they will simplify their path to success.

A commercial agent not only advocates for their client's best interest, but they quarterback the entire transaction - from start to finish. Dentists are experts in the field of dentistry with their own jobs to do. Dentists are not commercial real estate professionals and do not have the extra time to dedicate to mastering the trade.

Commercial real estate agents are seasoned negotiators and market experts. They know how to strategize for each unique situation to create the most leverage and achieve the best outcome.

Real estate is often the second or third highest line item in a dental practice's budget, and each transaction is worth tens to hundreds of thousands - or even millions - of dollars with a lasting impact on that budget for several years.

With so much at stake, dentists need to dedicate a lot of time and energy to each real estate opportunity, and by hiring a good commercial agent to lead the way, they can be assured they are aligning themselves with an expert to help them make the best decisions for their dental practices.

Commercial and residential real estate transactions are very different. Not only are commercial buildings physically built differently, but the entire transaction process is much more lengthy with



different standards, including the various documents and parties involved. Therefore, dentists need to hire commercial agents for their commercial transactions.

Furthermore, not all commercial agents specialize in every type of transaction. Agents who call themselves tenant representatives specifically work for business owners - as opposed to landlords or sellers. This exclusivity eliminates any conflicts of interest, because tenant representatives do not take any listings and are therefore not bias towards any properties.

Dentists should not be afraid to interview multiple agents when determining who is the best suited to represent them. A dentist can start by asking trusted colleagues or business partners for referrals, and if they can find commercial agents who are tenant representatives who strictly only represent tenants and buyers, and with a dental specialty, that is a huge bonus.

But like with residential transactions, commercial tenants and buyers do not pay for their own agent's commission fees. Instead, commercial landlords and sellers set aside funds for each listing to split between both agents involved with the transaction - both their own agent and the other party's agent. In other words, the landlord or seller is paying all commission fees for the transaction.

All of this means, dentists do not save any money by tackling their real estate transactions alone. Instead, they only expose themselves to making costly mistakes.



Success Stories



“I highly recommend Mirlo Real Estate Partners for their exceptional service and commitment to making their clients’ visions come true.”

Dr. Elizabeth Barber, DDS
BLOSSOM PEDIATRIC DENTISTRY & ORTHODONTICS

THE RESULTS:

- Off-Market Ann Arbor Property
- Brand New, Ground-up Construction
- Seamless Delivery & Transition
- Intentionally Designed To Reflect Dr. Barber’s Vision



LEARN MORE

“Our journey toward buying our building wasn’t easy, but Mirlo Real Estate Partners made it possible. From the very beginning, they were more than just a real estate agency — they were true partners in every sense of the word.”

Dr. Rehab Zaki, DDS
PEDIATRIC DENTISTRY OF MILFORD

THE RESULTS:

- Start-up pediatric dental practice
- Purchase and reconstruction of 9,500 SF medical building
- Incredible parking, accessibility, and signage
- High-end buildout and thoughtfully designed
- Additional space leased providing supplemental income



LEARN MORE



AAVO
FAMILY
DENTISTRY



TROY
Oral Surgery

“Mirlo’s adroitness made the process as smooth as possible. I couldn’t have done it without their invaluable support and guidance.”

Dr. Shirin Fakhri, DDS
AAVO FAMILY DENTISTRY

THE RESULTS:

- A fully built-out dental office
- Medical condo purchase
- Located exactly where she wanted to be, building away from existing practice
- A tangible symbol of long-term stability and success



LEARN MORE

“Not only did Mirlo advocate and fight for my best interest, but they also demonstrated an unparalleled understanding of my industry, exceeding my expectations and making the process as smooth as possible.”

Dr. Robert John, DDS, MD
TROY ORAL SURGERY

THE RESULTS:

- Start-up oral surgery practice
- Modern Design
- Exceptional Visibility
- Strong Demographics
- Ample Parking
- Favorable Lease Terms



LEARN MORE



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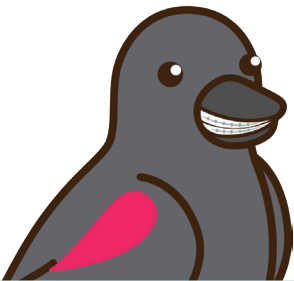
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