



Timing Your Next Real Estate Transaction

Article provided by CARR

Every commercial real estate transaction has an ideal timeframe to begin the process.

Most healthcare professionals understand that starting a new office or relocating an office doesn't happen overnight, but the majority of professionals are not aware of the ideal timeframes for each type of transaction. Different types of problems arise when starting a transaction too early or too late, and both need to be avoided.

Too early

If you start the process too early, it creates a scenario where you spend your valuable time looking at properties and evaluating options, working with lenders and other members of your team, only to find out the landlords or sellers won't negotiate with you yet. Many landlords and sellers won't take their spaces off the market for extended periods of time while waiting for the tenant or buyer to be ready to transact, because there is too much time before the transaction will actually take place.

Or if they do negotiate, they won't be willing to offer you even close to their best terms since they are going to lose income on holding a space vacant for an extended period of time. On the other hand, if they will put forth reasonable terms, it is predicated upon you moving forward immediately, which can leave you stuck paying for a space you can't occupy for a period of time or paying unnecessary rent on your former space if you leave early.

Too late

When starting a transaction too late, an entirely new set of problems arise. To start, most people underestimate how long a commercial lease or purchase transaction takes. They imagine it is similar to buying a home or leasing an apartment, which unfortunately is not the same as a commercial transaction timeline.

Simply identifying the top options and then negotiating a mutually agreeable deal can take several months. The legal process of reviewing contracts and finalizing details with lenders, architects, contractors, and equipment and technology providers comes next; this portion can also take months.

"The first step to maximizing any commercial real estate transaction: Start the process at the right time."

This is followed by the build out process if renovations are required. While you can build out a new space in

6 to 10 weeks depending on the size and scope of the project, you first have to design the space, then get construction documents and engineered plans created, then submit for and receive permits to start the build out. After construction, you need to leave time for installing furniture, fixtures, equipment and technology, final permitting and approvals, while also leaving room for uncontrollable delays and change orders.

If you are relocating from a previous office and you don't vacate your former space prior to the lease expiring, you'll likely pay between 125 to 200 percent of your last month's rent based on a provision found in most leases called "Holdover." This allows the landlord to charge you a higher month-to-month lease rate as a penalty for not vacating or signing a new lease.

Just right

If you only had two choices, starting too early is definitely better than starting too late but it is by no means your top option. Fortunately, there is an ideal timeframe to start each type of transaction and you don't have to choose between the lesser of two mistakes. You can set yourself up for success by understanding the requirements of each type of transaction and how long each process takes.

Although there are many additional details needed to ensure each type of transaction is handled properly, let's start with the correct timing for the primary types of transactions that healthcare professionals will engage in:

- Start-up or new office: 10–12 months in advance
- Relocation: 10–12 months in advance
- Purchasing an existing building or condo: 10–12 months in advance
- Buying land to develop a new building: 18–24 months in advance
- Buying a practice and getting a new lease or purchasing the building: 60–90 days in advance

Every type of transaction starts with a specific approach and detailed game plan that is aimed at maximizing the opportunity. Getting the best possible deal and terms is extremely important, but so is making sure you don't waste valuable time that could have been spent in your practice. If you lose the equivalent of 20 to 30 hours of your time—which is what an average commercial real estate transaction requires to be handled properly—how much money would that cost you in lost production?

Equally as important as saving time and money is avoiding costly mistakes that people make all too often when they don't understand the nuances of healthcare real estate. The old adage, "if I knew then what I know now..." can easily be avoided by hiring licensed professionals that specialize in real estate for healthcare practices. The reason patients come to see you is because you are trained in a specific skillset that offers skill and expertise that they require and that few people have. The same is true for real estate professionals that can help you identify your top options, negotiate the most favorable terms, save you a substantial amount of time, and avoid common pitfalls.

The first step to maximizing any commercial real estate transaction: Start the process at the right time.

CARR is the nation's leading provider of commercial real estate services for healthcare tenants and buyers. Every year, thousands of healthcare practices trust CARR to help them achieve the most favorable terms on their lease and purchase negotiations. CARR's team of experts assist with start-ups, lease renewals, relocations, expansions, additional offices, purchases and practice transitions. Healthcare providers choose CARR to help them save a substantial amount of time and money, while avoiding costly pitfalls and ensuring their interests are always first.

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