



Dentist Invests in Healthcare Real Estate With the Help of PRG

1) Introduction

Dr. R first worked with Practice Real Estate Group (PRG) when he and a group of his colleagues hired them to launch their DSO outside of Houston, Texas. Through this process, Dr. R became interested in not just leasing, but also investing in real estate.

Dr. R knew this would be a large investment so he turned to his former classmates-turned-friends and brought up the idea of buying a building as a group. The idea would be to buy a fully rented building so that the group would only need to invest a downpayment and could pay the ongoing mortgage with proceeds from the tenants' rent payments.

However, Dr. R's dream of a commercial investment property was just a dream. He did not know where or how to start looking for properties. Little did he know that when he brought on PRG to find a space for his DSO, he was bringing on far more than a space finder or someone that could produce a demographics report — Practice Real Estate Group was a strategic real estate partner who knew the market.

When his PRG agent found a rare opportunity — a fully leased building for sale in a desirable part of town — Dr. R knew he had to jump.

2) Our Approach

Dr. R and his group were busy running their practices and did not have the time or expertise to work through the process of submitting proposals or coming to agreements on terms with the landlord's broker. This is where PRG was able to step in and offer value. PRG took this all on and also got to work ordering a survey, appraisal, and other requirements from the bank.



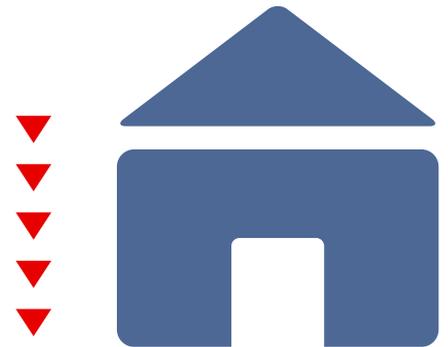
3) Challenge

Negotiations moved forward, but two weeks prior to closing — in the midst of checking the last boxes of due diligence — one of the three tenants of the building filed for bankruptcy. That tenant represented 20% of the square footage of the building and bankruptcy represented a large loss of net operating income. Further, without the income from that tenant, the value of the building was no longer accurate.

When Dr. R and friends first heard the news, they thought this bankrupt tenant could easily be overlooked. How hard would it be to fill the space? they thought.

However, their PRG agent knew how big of an issue this could be. The reduced income from losing that rent meant that the building was no longer an investment, as it would not be generating enough income to cover costs. It also meant that the price of the building now exceeded its actual value and was no longer accurate. These value changes meant there would need to be changes to the price and negotiations would mandate an extension of the feasibility period, which was rational, but would be outside of the contract.

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PRG knew they would lose money and all the time they had invested if this sale did not go through — real estate transactions such as this one are only profitable for the agent if a sale ultimately closes. But while PRG wanted to make money for all the work they had done, it was more important to them that their client was purchasing exactly what he wanted.

PRG and Dr. R decided on a two pronged approach — to keep trying to work with the building’s broker while also starting to look at other properties.



4) Roadblocks

As PRG returned to looking for investment opportunities for Dr. R, what they had seen before in the market before was still very true: there was not much available. In real estate lingo — inventory was low. While to the layman driving down a freeway and seeing “For Sale” signs on large office buildings can give the perception that there are many opportunities out there, experts like PRG know that is not the case. Large companies with many resources are buying investment properties quickly and with cash and dominating the market.

If Dr. R and his friends were going to find another property, it was going to be because they also had someone with resources and time on their side who were sending them opportunities daily and constantly searching the market on their behalf. It would also be because they had PRG as a partner to get them ready to jump in before international investment and hedge funds did.

5) Solution

Ultimately, Dr. R and friends decided to make an offer on the building PRG originally found. Between their and PRG’s networks, they believed they could lease the newly open space to a dentist — and they were right. Dr. R and his friends-turned-business partners ended up paying over \$300,000 less than asking.

6) Results

Ultimately, Practice Real Estate Group was able to help three dentists find an investment opportunity, negotiate the best possible deal, and purchase a building in a high growth area just outside of Houston.

The building is fully leased, and the income from the rent is covering the mortgage payment each month. Now, these dentists are in the enviable position of being able to sell it in the short term, or hold onto it for a long term investment strategy — a position they would not be in without PRG’s strategic partnership.

Call us at (512) 761-7101 or send us an email at info@practicerealestategroup.com to explore your healthcare real estate needs.