

DENTAL REAL ESTATE: OFFICE VS. RETAIL



In an ever-changing healthcare field, dental providers are exploring new ways to meet client demand and fulfill real estate needs. In dental real estate, those translate into two options: retail or office. Neither is a bad option; it depends on which is better suited to your business model.

“Your biggest takeaway: dental office space is typically 40% cheaper than retail in the Greater Atlanta market.”

Let’s take a moment to review these two options:

RETAIL



In this market, in a better area, free-standing retail could run \$30-50 per square foot while an unanchored strip center could be \$17-26 per square foot, with some variations. It’s important to factor the costs of operating expenses as an **addition** to stated rents. This premium also includes increased traffic from aggregate shopping center visitors and visibility through upgraded signage. Below are four of the major categories of retail real estate, ordered from the most to the least expensive.

1. Free standing retail (CVS, Walgreens, McDonald’s, Waffle House)
2. Strip center outparcel (5-6 inline shop spaces oriented on main road)
3. Inline anchored center (10-25 smaller shops in a line next to or between a major anchor such as Wal-Mart, Kroger, Publix, etc.)
4. Unanchored strip centers (5-10 smaller shops, similar to 3, but without an anchor).

OFFICE



While it may be harder to quantify than retail, office rent will often include some, if not all, operating expenses. And, the overall price per square foot is a lot lower at \$15-30. But the comparisons don’t stop at rent differentials; office landlords are more likely to offer significant incentives, with rates that can include up to \$10 per square foot in operating expenses. Hence, the typical 40% discount over retail. The office product type includes:

1. Newer quality medical office
2. Hi-rise office
3. Mid-rise office
4. Single-story office service

While medical and dental clinics are a growing niche of the commercial real estate market, the decision to go with retail or office space depends on every tenant's situation. Some will choose retail space primarily because of exposure and visibility to the public, whereas others will choose a traditional setting more in line with their client base. We have clients who have chosen office over retail due a building's prominence and location, and to ultimately keep operation costs low.

Only you know what the right answer is for your practice. If it's more important to be more visible and provide more convenient services to your patients, then you should consider retail. If you see yourself marketing to communities and offices directly and want to have a lower cost in your practice, then an office product might be the best option. Whatever you choose, stay flexible. This is a market filled with opportunities that make sense. If you're surrounded by a good team, they will advise you on how to take advantage of those opportunities when presented.