

## DENTAL REAL ESTATE: BUILD NEW OR RENOVATE?



Depending on your business goals, building from the ground up may be a great option. But, before forging ahead, have you considered renovating?

Searching for existing buildings is the first step when deciding whether to build or renovate. An existing building, with some renovation, may be close to what you envisioned for your practice. It can be more economical and less time-consuming than building new, allowing you to focus on your practice. Keep these key factors in mind while looking for a building to renovate:



- **MANAGING COSTS.** In the Greater Atlanta market, the money you save purchasing an existing structure typically pays for the improvements and gets the land and site work thrown in for free.
- **BETTER RETURNS.** As a general rule of thumb, if you can purchase an existing building for under \$100 PSF, then you will make money on the purchase. However, as the purchase price nears \$160 PSF, you're beginning to stretch your ability to make money on the purchase. If you cross over \$200 PSF, you may consider building instead.
- **READILY AVAILABLE.** When land is too expensive or unavailable, buying and renovating an existing building in your desired market is a great option to control costs.



If you're unable to find an existing structure, building from the ground up can be a better choice than settling for something that won't fit your needs. Remember, building new is perhaps the most expensive option for owning a dental office. While it may be best suited to your long-term goals, you may want to think through the following before reaching a decision:

- **TWICE THE PRICE.** A good real estate broker can advise you in the budget making process. Be prepared for final costs to exceed your original allowance.
- **THREE TIMES THE COORDINATION.** You will be responsible and in charge of every single detail. However, a good contractor should alleviate this extra stress. If you've built a house, you know what I mean.
- **HIGHER RISK.** With an existing structure, there's limited municipal risk. When you're

building on vacant land, there are countless regulations that must come together in order to receive your building permit.

- **MORE ROOM FOR GROWTH.** If you plan to double your dental chairs in say, five years, it may be best to build new and plan for the expected growth.
- **STATE-OF-THE-ART.** If your practice uses specialized technology, building new may be cost effective.

Before making the decision to build new or renovate existing, it's important to revisit your business model, determine the amount of space you really need, the number of people it must accommodate, the ideal location and the amount you're willing pay for the perfect building.