



Generate extra value when leasing, buying and building out real estate for lab facilities and PSC's

Creating real estate solutions for diagnostic labs



Five key questions for maximizing value

- 1. How important is finding the right space?
- 2. How do you know how much space you need?
- 3. How long does it take to create the right space for your lab?
- 4. How many spaces/sites should you look at before you decide?
- 5. How important is rent in determining your total costs?

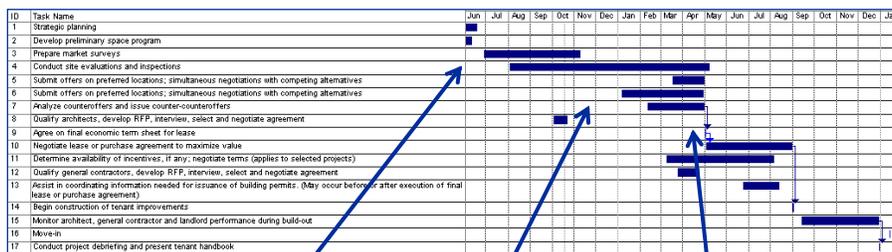


Planning tip

- Project schedule boosts your control
 - Relationships among key project phases
 - Resources needed
 - Time
 - Personnel
 - Cost



Checkpoints



Document needs ;
identify the team

Prove alternatives
and ability to manage
risk

Document
financial
terms



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How do you know how much space you need?



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Define your needs and goals

- Alternatives:
 - I'll know it when I see it
 - Changing your mind, changing your mind, changing your mind
- Tools:
 - Space program
 - quantifies space needs
 - Site selection criteria statement
 - Size
 - Location
 - Price range
 - Lease/purchase





Planning Tip

- Space program can help:
 - Highlight different visions
 - Develop business case (budget)
 - Quantify equipment needed (equipment list)
- \$1 million question
 - Who decides?
 - Lab Director
 - COO



How long does it take
to create the right space
for your lab?

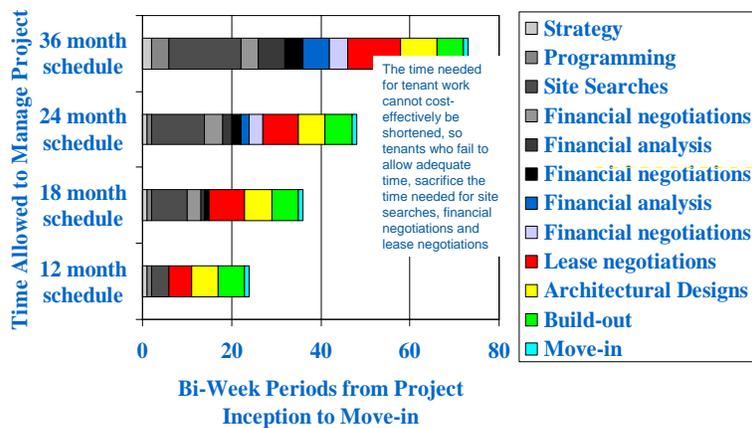


Start early. Allow more time than you think you need

- **18 – 24 months**
 - Standard clinic projects 10,000 sq. ft. – 100,000 sq. ft., existing structure
- **18 – 60 months**
 - Greenfield development, depending on condition of site, nature of building and developer experience
- **3 - 6 months**
 - Lease of swing space for gap needs; assumes as-is or nearly as-is use; almost always a distraction
- Early start favors you; rushed decisions favor seller/landlord
- Allow time to walk



Critical project phases are sacrificed when projects are fast-tracked





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How many spaces or sites should you look at before you decide?



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Insist upon the power of alternatives to build your leverage

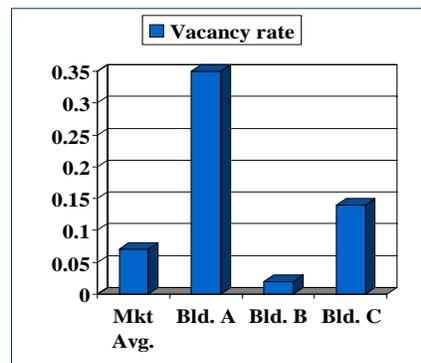
- Don't fall in love
- Use an advisor who is not bound to individual landlords/sellers
- Negotiate, actively, on multiple locations simultaneously





Take advantage of micro-markets

- Market-wide averages vs. real situations
- Balkanized market
- Key indicators
 - REIT vs. institution vs. family
 - Vacant space vs. available space
 - Lease rollovers
 - Special situations
 - Zoning/special use



Planning Tip

- To take full advantage of alternatives, consider:
 - Alternative sub-markets
 - Alternative project types
- Use alternatives to reduce risk, cost



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How important is base rent in a lease negotiation?



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Components of lease costs



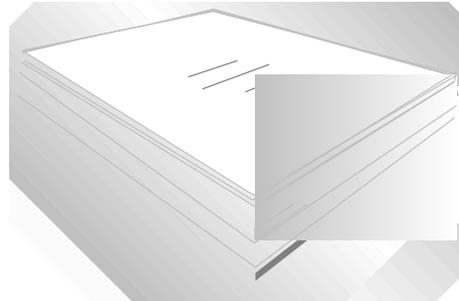
- Base rent
- Op Ex and RE
Tax
Utilities
- Amort of Build
out
- Compliance, &
Restoration

Non-rent costs may be
50% or more of total
lease costs



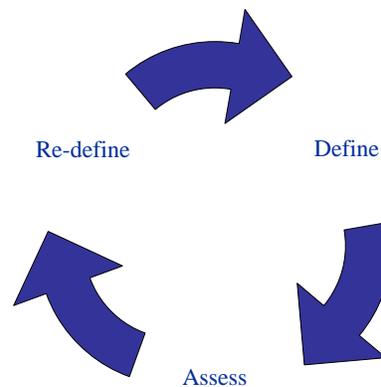
Avoid the pitfall of hidden costs

- For a lease, negotiate the non-rent terms
 - Operating expenses
 - Real estate taxes
 - Audit rights
 - Construction rights
 - Landlord services
 - Exit strategy
 - End-of-term obligations
- For a purchase, beware of existing conditions



Be flexible and creative

- Define your needs, but be realistic
- Don't fall for the one and only
- Understand trade-offs between different components of your needs
 - Image vs. price
 - Access vs. time
 - Location you want vs. location you need





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Results

- Control of the real estate process
- Transparent to staff, leadership and investors
 - Buy-in from all constituents
 - No surprises
- Superior transactions
 - Reduced risk
 - Lower costs
 - Better fit for lab needs

