



# How to Get the Best Sites

Relationships. Results.

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HEALTHCARE PRACTICE GROUP

# — Site Selection Process

In order to ensure optimum results, site selection processes should begin as far in advance as would be required to develop a new, purpose-built facility. This is often 24 to 36 months before a planned move. Flexibility is important: acquisition opportunities are elastic, and property that was untouchable a year earlier may suddenly be available below replacement cost.

Ideally the organization has alignment: it knows how much of which services will be delivered in what geographic areas. Then, paired with a good process, the right site falls into place.

**More frequently, stakeholders are excited about capturing new patients in a growing submarket but critical success factors are not yet understood—how many prospective patients are there? How can they best be captured? Will our efforts be profitable? What services should be offered?**

This white paper illustrates how strategy is formed up during the process of controlling the best site.

First, we must acknowledge that no opportunity involving the company's occupancy of a facility is worth a sacrifice to the business. Delivering healthcare must remain the top priority.

## **Step One**

Two Burning Questions

## **Step Two**

Presentation, Recommendations to Client, and Client feedback

## **Step Three**

Visit the Sites

## **Step Four**

Pursue Multiple Sites

## **Step Five**

Top Option Emerges

## — Step One: Two Burning Questions

Our process assists clients in answering two important questions:

- How much of each service do we want and in which geography?
- How do we decide whether to lease or buy?

First, we conduct the following due diligence to determine which submarkets are most ripe for implementing the business plan without cannibalizing current business:

### Demographics

What is the demographic profile of the community, such as age, income levels, cultural characteristics? Is it a match for organizational objectives?

### Competitor Mapping

What is the competitive landscape? Where are the most successful competitors located? Where are the gaps in coverage?

### Traffic Counts

Is there measurable retail activity and is it consistent with the target market? What are the drive times to competitors? What are the actual traffic counts on nearby roadways? Are they congested, or free-flowing?

### Regional Growth Projections

What is the market potential over the next five years? Ten years? Is the area underserved or crowded?

### Planned and Permitted Projects

The magnitude and direction of growth in the target market areas are easily researched through municipal authorities and planning boards. Permits identify areas of near-horizon growth. This is a key data point for planning.



## Working alongside the client, 1-2 submarkets emerge and we begin a wide search for prospective real estate options.

At this point the decision is not “should we lease or buy?”. Instead, all possibilities are pursued until the decision becomes self-evident. Often the best locations are not openly advertised for lease or sale. Potential candidates include:

- Is an existing retailer going out of business or relocating? Could an old Rite-Aid/Walgreens be repurposed for our needs?
- Undeveloped property at a main intersection.
- An outparcel with high-visibility located in the parking field of a large shopping center.
- Existing office buildings that can be re-purposed as a medical office building.






## Simultaneously, we conduct the following site selection diligence to determine which sites are best positioned to satisfy the need:

<b>Traffic Counts</b>	Which roads and intersections have the highest number of motorists?
<b>Drive Times</b>	How far are our current locations from the area of interest?
<b>Planned Infrastructure</b>	What planned road improvements could change traffic flow or access?
<b>Planned &amp; Permitted Projects</b>	What new developments are expected and how will they change traffic patterns and consumer behavior?

## — Step Two: Presentation, Recommendations to Client, and Client feedback

As a result of the research, the organization can now answer market size and market share questions and one or two intersections reveal themselves as best-situated to fulfill the objectives. The top candidates are recommended to the client for further review.

### SUMMARY OF AVAILABLE PROPERTIES

	1	2	3	4	5
					
BUILDING NAME	160 Kimel Forest	Advantage Way	1605 Westbrook Plaza	1311 Westbrook Plaza	Stratford Executive Park
ADDRESS	160 Kimel Forest Dr. Winston-Salem, NC 27103	3530 Advantage Way Winston-Salem, NC 27103	1605 Westbrook Plaza Dr. Winston-Salem, NC 27103	1311 Westbrook Plaza Dr. Winston-Salem, NC 271-3	280 Charlois Blvd. Winston-Salem, NC 27103
YEAR BUILT	2001	2013	2000	2003	1973
# OF STORIES	2	3	4	1	2
BUILDING SIZE (RSF)	22,972	38,000	44,000	12,639	35,172
PARKING	3.74/1,000	TBD	3.18/1,000	4.85/1,000	6.70/1,000
ASKING RENTAL RATE/SF	\$17.75 FS	\$17.50 FS	\$16.00 FS	Negotiable	Negotiable

*\*Rental rates shown here may vary depending on the tenant allowance required to upfit the premises.\**

## — Step Three: Visit the Sites

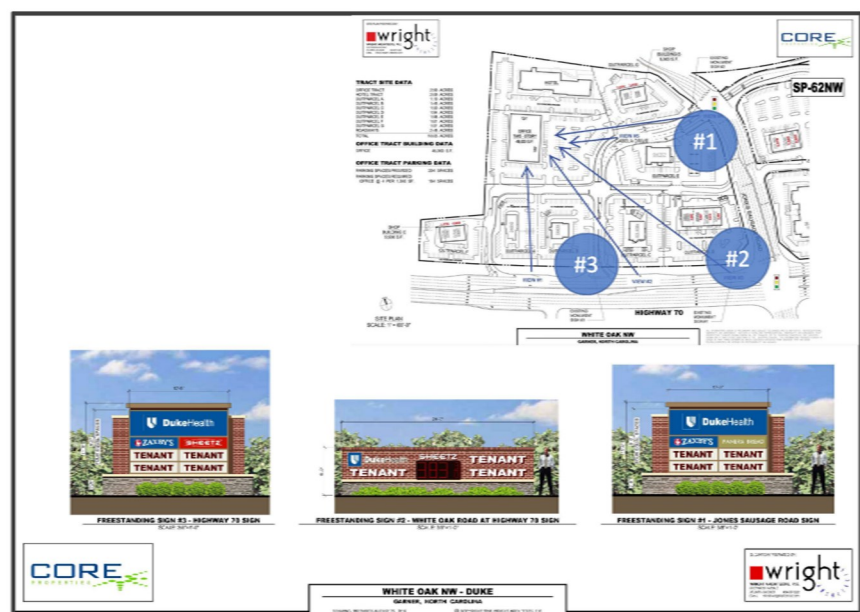
It is imperative for the client to drive the submarket and visit the potential sites. It is easy to discover the realities of the potential locations that would never be apparent from a desk, such as:

- Particularly long wait time at a traffic light
- An overgrown shrub on the adjacent property obstructs visibility from one direction
- Grade slopes away from the road leaving the potential build area in a hole

**While these observations may not lead a rejection of the location, they often lead to solutions that can overcome the weaknesses and improve the end result.**

The property tour also assists the administrative team in evaluating which services would be well-suited to accompany primary care. The organization can then begin to rework the business plan and speak to physicians about staffing the new location.

Hospital/PPG  
Signage



## — Step Four: Pursue Multiple Sites

Focus has narrowed to 2-4 sites but which will provide the best results? and should we lease or buy? Tailored lease and purchase proposals along with site-specific due diligence are needed.

Experienced organizations create alternatives to encourage competition – even if it appears only one option could work pursuing multiple options provides leverage in the negotiations and we routinely implement components of proposals from second tier options in the final solution at the preferred facility.

Moreover, each property owner is in a different position:

- Some are new owners with high return expectations.
- Another may be looking for a way to dispose of a poor investment.
- A third may be quaking over an upcoming loan maturity.

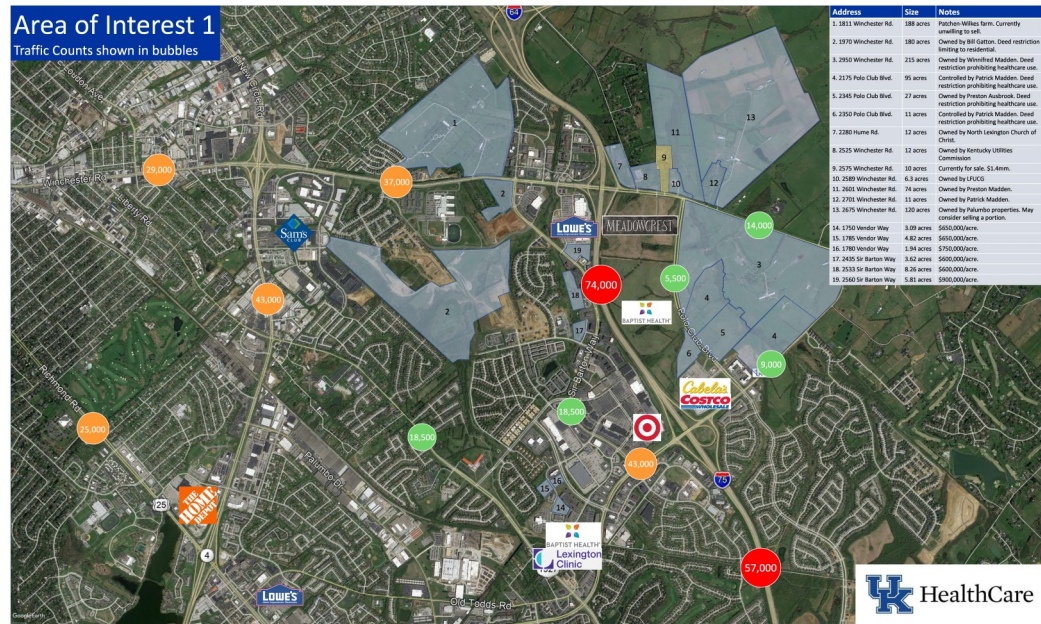
**A RFP and proposal process exposes these realities – we are routinely surprised by an unexpectedly advantageous proposal.**

**While discussing proposals we dive into the following site-specific due diligence:**

- Access
- Signage
- Density
- Required site work
- Offsite Improvements
- Setbacks
- Timeline
- Parking

## — Step Five: Top Option Emerges

As we model the distinct proposals the top option — the option that will best accomplish the business objectives at the best cost — becomes evident. Cost, access, visibility, and lease vs. buy concerns resolve themselves and the organization is ready to complete the business plan.



When the stakes are high, savvy organizations rely on those market analysis and site selection processes to turn complicated decisions into reliable results.





## — About Davis Moore

Physician practice groups and health care systems turn to Davis Moore to provide assistance in strategic planning and development of ambulatory network growth. Over the past 20 years, Davis Moore principals have provided leadership in more than 400 medical facility transactions totaling more than 5 million square feet. We understand the issues and opportunities that affect today's health care providers and can tailor ambulatory real estate solutions to meet each provider's specific goals.

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