



EPISODE 4.3 | OCTOBER 19, 2023

A DEEP DIVE INTO REAL ESTATE WITH COLIN CARR

David Mandell:

Hello, this is David Mandell, host of the podcast. Thanks for joining us today. We've got a very interesting guest, Colin Carr, who is going to talk to us about a subject that is near and dear to many physicians' hearts, which is real estate. And in prior seasons, we've had some other folks talk about real estate, so if you are listening to this and you like it and you haven't tuned into every episode, which I'm guessing that not all of you have, then look back on seasons one, two, and three. You might find another guest that touched on this topic as well.

So let me give you Colin's brief bio. We'll link in the show notes to his full bio, but a brief bio and then we'll bring him on. So Colin Carr is the founder and CEO of CARR, spelled C-A-R-R, all capitalized, the nation's leading provider of commercial real estate services for healthcare tenants and buyers. Every year, thousands of healthcare practices trusts CARR to help them achieve the most favorable terms on their lease and purchase negotiations. Colin has been involved in commercial real estate for over two decades and has personally completed over 1000 transactions. And with that, Colin, welcome to the program.

Colin Carr:

David, thanks for having me.

David Mandell:

Excellent. So like I said in the intro, real estate is of interest, I think, to every physician, if it's only to understand the basics, even if they don't do any personal investing. If they are in private practice, we're going to talk about that, how to get the best and most out of practice real estate. But all of us likely, going to say us, own a home at least, and so having some knowledge of real estate in general is important. And I'd say, and working with thousands of physicians over the years as an attorney and at



OJM group, many if not most, have more real estate than just their home. It may be the practice entity, it may be rental estate, it may be other investments that they make. It seems to be something that a lot of docs have an interest in. So I think I'm glad to have you. I'm glad that this worked out.

Colin Carr:

Yeah, absolutely.

David Mandell:

So first, tell us about you. Where you're from, a little bit up to your career until this point, including how you eventually focused within the world of real estate on healthcare.

Colin Carr:

Yeah, absolutely. So I grew up in Northern Michigan, little resort town called Charlevoix. It's up by Traverse City for the people that know Northern Michigan, beautiful little area.

David Mandell:

Great time to be there right now in the heat of summer. That's where everybody wants to go, is Northern Michigan.

Colin Carr:

We were just there for a few weeks and the water was beautiful. Absolutely a phenomenal time. So grew up there, great childhood. I moved to Lansing, Michigan, East Lansing where Michigan State is, when I was 19. And my introduction to real estate was I started managing apartment complexes. I started working for a gentleman that owned a bunch of complexes. He was nice enough to start teaching me the business. So I did that for a few years, moved to Colorado in my early twenties and did the same thing. I managed a number of apartment complexes near the Downtown Denver market, mid-rises, a high rise, few things in between. And then

I got introduced to a gentleman a few years later that did mostly tenant and buyer rep for large national retailers. So he did Walmart, Wendy's, Blockbuster, prominent national retailers. So I started working for him when I was 23 and worked for him for a few years.

I moved more into office and industrial, and I worked for a large national publicly traded firm for a number of years. And essentially I was just a generalist. I'd do any deal that I could do, if it was landlord rep, tenant rep, office, industrial, retail. It didn't matter what it was, if it moved, I chased it. Over a number of years, I started focusing more and more on healthcare and I became a fairly established landlord medical rep where I had a significant number of medical properties. I was working for a couple of the largest medical REITs in the country as their listing agent. And long story short, I had a number of transactions that I was involved with as the landlord's agent, where there were physician and medical groups that were doing either new leases or lease renewals. And I had three specific ones that always stand out to me.

And the doctors did not have any representation, so they were doing it themselves. They were just feeling their way through a dark room, trying to figure it out. And in all three of these scenarios, the doctors just got completely annihilated in the negotiations. We had an ENT, we had a plastic surgeon and there's another group, and one was a new deal, two were renewals, and the doctors had no clue what they were doing. They literally left a couple hundred-thousand dollars in the table and they had no idea. They didn't know that they were overpaying. One doctor overpaid by eight or \$9 dollars a square foot, got no concessions and thought he did a decent job. And so I had a couple of those deals that happened, and that's why I was hired. I was hired to help the landlord. I was the landlord's agent.

It was a fair fight. Both parties could have had representation. The doctors chose not to or didn't understand that, but I had a couple of those deals happen. I remember just finishing those deals and thinking to myself, "Somebody needs to help these doctors understand how to play the game because they're getting punished and they don't know the difference." So I started doing more tenant rep on the healthcare side and I really enjoyed it. And when I started showing a handful of clients how much we saved them or what was on the table or what they could negotiate if we



went in there with a strategy and a posture and had the right timing and communicated effectively, we started saving doctors literally hundreds of thousands of dollars on each deal. And they were incredibly grateful and I just felt more valued and I felt more fulfilled doing those deals than I did helping Walmart pick out a new 10-acre parcel to throw up a store.

So I basically made the decision in 2009 to start our current company, which is called CARR, and we exclusively represent healthcare providers with their real estate. We don't do landlord and seller work, so we're only on one side of the negotiation, so no conflicts of interest. And since 2009, we've grown to where we are. We're now licensed in 50 states. There's 51 because DC is a separate license, but we're in 50 out of 51 and we do thousands of deals across the country. I think we have over 4,200 clients that we're doing work for right now, coast to coast, and anything with real estate. So a lease renewal, a new office if you want to purchase a building, purchase land, develop your own property, additional locations, anything with real estate for your practice, we help with and that's our focus.

David Mandell:

It's an interesting story that, and coming as a lawyer, it rings to me like some of my friends and other folks I know who they might have started on the prosecutor side where they started inside the government on the IRS side, and then they eventually changed to representing the individuals, defendants or taxpayers or whatever it is. You see one side, it's very valuable to understand how the landlord thinks. Now I'm not making landlords out to be criminals in the analogy with the criminal defense attorneys, but they're the big guys. And oftentimes, like you said, REITs certainly have a lot of resources on their side, and landlords do too, where physicians are in the business of treating patients. So they have to become real estate experts for a period of time, and then they don't need to think about it too much anymore, and then they got to come back and think about it, and they're not going to have someone full-time on their staff who's an expert. So a firm like yours can solve that need. That makes a lot of sense to me.



So what would you say in your experience, obviously you came into this with some, and you won't name names, stories of mistakes on the other side that got you motivated to say, "Hey, maybe I can help these people," and two, "There's a market here to help people. There's a market need." But what would you say now that you've been doing this on the physician side, what are some of the top mistakes you see docs making when it comes to their office space?

Colin Carr:

Yeah, so the first mistake that really woke me up to this whole industry, this whole business opportunity, is the fact that you should never take the DIY approach. Doing your real estate yourself as a healthcare provider, that that's a fool's game plan. And you look at every Fortune 500 company, no matter how sophisticated these companies are, how much they have in assets and how long they've been around, they hire real estate professionals to help them that are experts in each local market. They might have a team of internal real estate professionals internally, but they still work with professionals that understand the market. And you see this with retailers, with office groups. So it doesn't matter if it's Starbucks, if it's Chipotle, if it's an office user like Charles Schwab or Lockheed Martin, they always hire professionals because there's too much money on the line.

And then you get a healthcare provider who let's assume is very strong clinically, has good intentions, wants to help the community, wants to help people, they go up against the landlord that negotiates for a living, they're going to typically lose a couple hundred thousand dollars on an average size transaction. And the landlord's not going to say, "Hey, by the way, I'm charging you an extra \$200,000 dollars over the next 10 years." They're going to just assume that the deal works. People all the time will ask us, "Well, what's a market price?" Market price is the most someone's willing to pay. You see that in residential. You see people the last year or two people put their houses up for sale for these insane numbers. And the first thought is, "Ah, it's never going to sell at that number," someone comes by and buys it, that's the new market price.



And that's how landlords look at deals. They're going to go after these healthcare providers that are unrepresented and they're going to assume they're too busy, they don't have the time bandwidth, they don't have the emotional bandwidth, they don't want to go through the adversity of it, they don't know the market, all these things that are evident. Because -- if they were really serious, they'd have higher professional representation. And if they don't have representation, they're probably not serious about getting the best terms and they're going to take advantage of that person. So mistake number one is doing it yourself. It's not a good game plan.

You always have a good attorney review a legal document, you have a good CPA help you with your taxes because the tax laws change every single year.

You hire people that specialize in IT for technology. You hire people that sell capital equipment for a living. You hire people that do things that they're specialized. You don't GC your own office. You hire a great contractor, a great architect. It's the same thing. Just because you can do a real estate transaction by yourself doesn't mean that you should do it. So I would say that to me is the number one mistake by far. And there's several other ones, but we can camp there for a second if you want to.

David Mandell:

Well, I think it makes sense. Like you said, if Starbucks, which I'm sure they have their internal team, is still hiring local agents because they have a better sense of the marketplace and to represent them, that tells you, right? They could do it themselves if they wanted to, but what's the point of buying an agency in every place there's a Starbucks? Now all of a sudden that doesn't make any sense, but you can hire that specialty. And that's the point, is you don't have to create a real estate agency, you just got to find a real estate agent.

Colin Carr:

That's right.

David Mandell:

So you don't have to commit that many resources to it. So that's the first thing that popped out to me. The second thing was, based on what you were saying, it's interesting, your analogy of that now that's the new market price. That gives the landlord actually a little bit of incentive to push, especially on an unrepresented client. Because if they can get, "Oh wow, we suckered these docs into a higher dollar per square foot," now that's the new going rate in the building. So when someone else comes up who's not even a physician who is represented and say, "Well, we have a comp here, they paid X per square foot." Now it may have been inflated because they weren't represented, but time goes by and maybe the next people don't know that, and it becomes the new point. So they're not only negotiating for today, they're negotiating to set the price in the future. Would you say that is accurate?

Colin Carr:

No, that is 100% accurate, and that's their motivation. The higher they can get, the most recent deal, that becomes the new norm, and then they're going to leverage that information on the next deal they do. So if they get an unrepresented plastic surgeon to sign a lease \$8 or \$9 higher, the next time someone shows up for a lease renewal in that building, they're going to say, "Well, we just renewed a really prominent tenant in the building for \$8 higher or \$5 higher," or whatever it is. And so they'll leverage that and say, "There's no way we're going to go below this number or come down," even if that number was ludicrous and made no sense whatsoever, they're going to anchor to that number and they're going to try to convince the other tenants that is the new norm. And then the other tenants going to think to themselves, "Well, if other healthcare providers are paying that in the center or the building, that must be fair. And so I probably don't have a whole lot of options." And so that's a big deal.

David Mandell:

So for the doc, you're not only negotiating for yourself, you're negotiating for the other future physicians who will come up, especially in a medical building. You guys are looking out for each other or screwing each other the other way around.



Colin Carr:

They know when we show up or when you show up represented, the landlord tries to throw out there, "We just signed someone for this number," our response is, "Well, that person obviously was an idiot, or they didn't have a clue what they're doing or they weren't represented." Because we come into a negotiation with facts. We come in with comps, with what other landlords in the area are offering new space at, what other people have done deals at recently, what's for sale, what their options are. And the next thing that people do, is they come into a deal with no information. Whether you're doing it yourself or they hire, maybe they have a patient who's an agent, they show up to the negotiation and they have no clue. They have no clue what's going on.

So they start asking questions like, "Well, what would you do for my client?" Or, "What would you do for us if we were to renew?" And all of those statements say, "I don't know what I'm doing." For instance, before Starbucks calls their existing landlord on a lease renewal, they go to market, they go look at every option. Every corner that's available, every property, is it a better drive through? Is there better access? Is there better signage? They negotiate with three or four landlords and they come back to their current landlord and they say, "This is what we're willing to give you because we have other options," and this is a factual negotiation versus a barter of just, "Well, would you please go lower because I'm asking you?" Excuse me.

And so that's the next mistake, is people go into these negotiations and they have no market intelligence, they have no comps, they have no information, and they're literally just begging or bartering the landlord, "Would you give me more tenant improvement allowance? Would you give me more free rent? Would you give me a lower lease rate?" And the landlords know when it's factual and they know when you're just literally asking to ask. And I always find it humorous when people say, "Well, you don't know if you don't ask." It's like, "Well, we need to know based upon what other people have already offered."

Otherwise, you're just begging someone. And if someone walked up to you and said, "Well, would you give me \$50,000?" And you'd say, "Well, why?" "Well, because I asked



you," you'd say, "What are you talking about? Why would I just give you \$50,000?" If it's not tied to losing the deal or not being competitive or other landlords are offering it, again, you're literally just begging people and sophisticated landlords aren't moved by that. They don't respond to those tactics.

David Mandell:

I think that if anything, that may be number one. Certainly you don't do it yourself, but whoever's doing it, and obviously it shouldn't be you, you meaning yourself, you got to come prepared. Most of the game is won before you show up, meaning if you have the diligence, the due diligence done beforehand, you're in a solid position. And I really like the idea of figuring out your exit strategy already, meaning this is where we could go. And I guess that's what you were describing Starbucks would do. They'd look at other corners, they'd look at other alternatives so they know exactly where they fit. Not only just a negotiation, but if this doesn't go well, we have a backup plan. Obviously, no doc, nobody wants to move just to make the deal, but on the other hand, you have to have that knowledge, otherwise you won't be willing to play I think the hardball you may need to or the forcefulness or to come across as credible to get the deal you want. Is that accurate?

Colin Carr:

Yeah. That's exactly it. That's exactly it. I'll give another analogy because I think it drives it home, but I have a good friend that wanted to go get one of the new Ford Broncos. One of the four doors, the convertible. They wanted drive around the summer. Well, they went and looked at three or four dealerships. Well, one dealership was literally selling the Ford Bronco at \$13,000 over sticker. Another one was \$8,000 over sticker, another one was \$5,000 over sticker. Then they found one dealership that was selling at MSRP. They didn't have to get emotional, they didn't have to yell at people threaten. It was just like, "Hey, listen, I'm going to go into this dealership and pay then pay \$55,000 versus \$68." It's not that hard to figure out. A lot of people will go into these negotiations with landlords and all they know is what they've been paying.



They don't know if landlords down the street are offering much lower lease rates, higher concessions, more free rents. They don't know if the property's better maintained, if it's a better landlord. They don't have a clue if the taxes are lower in that property, if it'd save them a couple thousand per year or whatever it is. They don't have this information. And so if you're going up against a landlord on a lease renewal as an example, and you don't have that information, you're bluffing or you're guessing. It's a bad place to be. When you look at the fact that real estate typically is the second or third-highest expense behind payroll. It might be third if you've got capital equipment or some other large cost, but typically facilities are going to be number two behind payroll. And that's going to give you the chance to either capture a couple hundred thousand or lose a couple hundred thousand every time you go into a negotiation.

So, let's say physicians may be listening who are in a lease and they're coming up to the end of their lease, maybe that's approaching in six months or a year. So what are some docs or practice managers need to consider about the lease in advance as they're coming up to that day? What are the things they want to start thinking about?

Colin Carr:

Well, number one, if you wait until there's too little amount of time left in the lease or not enough time to relocate, you've already signaled to the landlord that you don't have enough time to relocate. So at that point, the landlord knows that you're stuck in that location. There's no motivation from the landlord to give you a better deal. Landlords don't respond to people asking for things. Landlords respond to the fear of loss, all right? It's very simple.

David Mandell:

They don't want an empty building and they don't want to empty space.

Colin Carr:

Put yourself in the position of a landlord. If you had a tenant and the tenant had no other options and had been paying you a certain amount of money for a while and other costs, inflation, things have gone up, are you going to just voluntarily cut the rent by a hundred thousand dollars over 10 years because they asked you? There's no way you would do that. Just like if it was your personal house, you're going to sell your house and you're going to sell your house for \$700,000 dollars. You're not going to sell it for \$600,000 if you think you can get \$700 or \$750 or \$800, you're going to get the highest value. Landlords are in the same place. So if you approach a transaction and you approach it too early, let's say maybe three years in advance, there's no fear of loss because you're locked in for three years.

Conversely, if you approach the landlord or wait for them to approach you, and you've got three or four months left on your lease, the landlord knows you might be able to move, but it's going to be pretty difficult to make that happen without a lot of inconvenience. So timing the transaction's very important. The next thing that's very important is who's making that first phone call? If it's the doctor or it's the office administrator or manager, what the landlord hears is, "They don't have enough time, they haven't hired a professional, they're not sophisticated. They're probably willing to take whatever I give them, I'll be respectful, but I'm going to probably win this match pretty handsomely." And so that first conversation, although a lot of times doctors or office managers think it's innocent, you're signaling quite a bit. On one side, you have a doctor that just randomly calls the landlord, a landlord calls and they say, "Yeah, you know what? Send me an offer."

Again, that speaks to I don't know what I'm doing, I haven't prepared, I'm pretty busy right now. The flip side would be 12 months before your lease expires, you hire an expert that specializes in healthcare real estate, specializes in representing providers like yourself. They go to the market, they perform their due diligence, they take care of all these things in advance, and then they call the landlord for you. And it's, "Mr. And Mrs. Landlord prior to me calling you, we've been working together with Dr. So-and-so for the last three or four months, we've got two options to lease, we've got an option to purchase, everything's fully negotiated. We're willing to consider renewing



our lease, but it's going to be at very specific terms. And if they don't work for you, that's fine because we have two other options or three other options."

It's a whole different posture versus, "What would you do for me?" When a tenant asks a landlord, "What would you do for me," the answer is, "I'm going to overcharge you by a hundred thousand dollars, smile the entire way and make you think you won. And then take that check to the bank. That's what I'll do for you." That's what the landlord's thinking the whole time. So, "What would you do for me," or, "If I wanted to stay, what would it look like?" Those are terrible questions to ask a landlord yet doctors do it every day because they think it's an innocent conversation.

David Mandell:

Yes. And a couple things I want to tease out of that. One, before we get to who makes that phone call, I just think it's crucial, is timing. So it sounded like three years, two years too far out. There's no threat of loss. Three months, too close, you haven't done the process. You could move, but who wants to do that within three months? Is it a year? Is it six months to a year? What do you would say is generally the sweet spot where you want to be hunkering down and doing your process for a client?

Colin Carr:

Yeah, you want to be 12 months out for most.

David Mandell:

12 months out.

Colin Carr:

A variable for that would be if you were trying to buy a piece of ground and build your own property, that was one where you might have to do that 18 or 24 months out because you can't buy a piece of ground and develop your own property typically in less than 18 to 24 months. It just takes longer. But if you're looking at relocating from a lease space to buying an existing building or a lease space to another lease space, 12 months is really the right timeframe.



David Mandell:

Okay, yeah, that makes sense. And again, I keep coming back to, and maybe it's not surprising given my background, the first phone call and what you're saying, how much different is it in any kind of business deal if you get a call from the principal or you get a call from the principal's attorney. It's just night and day. Okay, I'm dealing with a lawyer. Okay, I got to watch what I say now. This is for real. Maybe I should get my lawyer on the phone. It's just that much different. And it's the same thing here. Especially if you've got a reputation and a good one, but a good as somebody who's competent and tough and will get the deal done, but you're not going to get taken advantage of. As an agent they know, "Okay, this is a deal we can get done."

They're not going to be unreasonable. They're going to fly off the handle. That's the other piece. When you're working with a lawyer in a negotiation to business deal or what have you, you know the lawyer's not just going to say something stupid or fly off the handle or get personally offended on a counter offer, you're going to go back and forth and they'll have to take the client. The client can yell at their own attorney, and the attorney will say, "Oh, calm down, let's do this," et cetera. So I think it doesn't make sense that you might do better, which I'm convinced that you would with professional representation, but even if the landlord sees that, they may say, "Okay, we're not going to take advantage of these people, but we're also not going to get ridiculous offers or asks either," right?

You're going to ask for something tough, but you're not going to be way out of marketplace either, that sometimes tenants can be, they're just not logical.

Colin Carr:

Yes.

David Mandell:

So it's going to be a professional negotiation, I guess is what I'm saying.

Colin Carr:

Yes.



David Mandell:

So I think both of those could be beneficial.

Colin Carr:

If the landlord gets a call from someone that does it for a living that works on dozens of deals per year, or they get a call from the doctor that does a deal once every five, seven, or 10 years, it's a very different first conversation. It's a very different process. And to the other point too, a lot of times people, they ask for the wrong things. If you ask for things that are too aggressive, you'll hurt the process. And people sometimes say, "Well, you never know if you don't ask." Well, you actually do. There's some things that you don't ask for because it's too much. Again, go back to personalize it, it's your house.

You're selling your house for \$700,000 and someone walks up and says, "Well, would you take \$400?" That's not going to get you excited to talk to them or to respect them. You're going to think, "This person is a complete clown. They're wasting my time, they're disrespecting me. I don't want to work with this person." And that happens all the time where tenants will just ask for random things or things that are completely unreasonable, and they think that they're quote negotiating or being competitive and they're actually hurting their position in the market. They're doing things that don't make sense.

David Mandell:

Yeah, yeah. There's a standard in practice to how this works, even though it is a negotiation. But yeah, that makes sense. It's not dissimilar from other areas of business. So I want to focus the last couple questions because we're getting to the time where I think it makes sense to give our docs something else to do, because their time is valuable. And I think that's one point I actually want to make. We all know, you work with more than docs than I do, that time is the most valuable asset. And so the other part of this I've spoken about, which is highest and best use, opportunity cost, it's like, "I'd much rather have you go do it for me because you're an expert and you'll actually get a better deal than waste my time where I'll get a worse



deal, and I'm not seeing patients and I'm not running the practice and I'm not seeing my family," and all that.

So obviously people who've listened to me, I say the same thing about doing legal work, doing your taxes, managing your money. I'm a believer in delegating to professionals who do a good job, and I personally live this myself. I not only serve clients, but actually in my work than trying to do it myself and DIY into something that's not even in my best interest. So that's just me on my soapbox. There's no question there. But my question is, okay, so let's say the doctor listening to this, and you're in all 50 out of 51 markets, let's say we're getting there. We're getting to that time. It's about a year out. I want to be responsible. I want to do the right thing. How do I go out and find a good commercial real estate agent? Someone I can trust, someone who's competent, someone who can do the things you're saying they can be done? There's a variability, there's a scale, there's a graph of confidence out there with real estate agents just like any other profession. So what are some tips on how to find the right people?

Colin Carr:

Yeah, there's really, I think two main ways that you go about it. Number one is you talk to people that are professionals that are in your industry that you trust. If you've got a great attorney, you ask them, "Hey, who do you trust?" If you got a good equipment supplier, who do you know that specializes in doing healthcare real estate? So you talk to the people that are in the know that you already trust in a certain other area. They probably have some resources where they could share them. The other thing you do is you just get online and you start searching and you search for medical real estate broker, healthcare real estate specialist, or whatever the terminology is that you want. And then you start having to evaluate. The same thing if you were looking for any type of service provider for you personally in your practice, you start searching.

And then once you start talking to real estate agents, you ask them questions like, "How much of your work is healthcare? How much of your work is on the tenant and buyer side versus landlord? Do you have references? Can you tell me what your



game plan is to help me capitalize or maximize my next opportunity?" And then you're going to hear real quickly, either you are getting a specific game plan and strategy and process that you like or you're talking to somebody who's just winging it and you probably don't want to be the test on me for their next transaction. There's a lot of real estate brokers out there, just like there's a lot of attorneys out there, just like there's a lot of everything out there, there is a pretty significant difference between the people that are bad, average, and good.

And you'll get a feel very quickly for, "Hey, this person is an expert in this area and I trust them and I want to work with them." And if you talk to a few people and you haven't found that person, keep looking. Don't settle. Don't settle for someone that you don't think has your best interest in mind that you trust that can give you references. There are people out there that can do just that, and you want to find those people and those are people that you want to work with.

David Mandell:

Right. Yeah. I think it's like OJM specializes in working with physicians and obviously have so many physician references in all different specialties, and you do too. It doesn't mean they all have to use me or you, but that kind of expertise. I want someone who's done this procedure just like medicine, I'll keep bringing it back. If I want an interventional cardiologist, my brother's a cardiologist, he's not interventional, if I need the stent, he has to recommend somebody. And you want somebody who's doing that all day every day. And that same thing with attorneys, you could have somebody who does wills and trusts along with does real estate, along with does some personal injury. Or you could find someone who just does wills and trust pretty much, and to me, it's obvious who you use because part of trust is are they going to do the right thing?

But part of trust is expertise. Do they know what they're doing. So you want both of those. I want someone who I can trust who's going to do the right thing, and I want someone who I can trust who knows what they're doing, and that's ultimately it. So would you say if a year out ballpark is when you want to start thinking about this, then maybe a year and three months out a year and six months out, start looking



around for the right agent and give yourself a quarter, three months to be asking around. Again, don't start looking for that in a year because before you know it, it'll be six months and that's you're not putting yourself in the right position. Does that sound reasonable?

Colin Carr:

It does. Yeah. I would tell you can start anytime you want to. You can contact a good agent even three years in advance. You just don't contact the landlord. So if you're in a situation where you say, "Hey, listen, I don't know what I want to do and I want to get peace of mind now," then contact someone three years in advance, they'll still talk to you. They'll game plan with you, they'll provide you information, they'll educate you. They just won't trigger the transaction until it's the right time. So you're never too early to reach out to someone and have an initial conversation. But that person, if they're savvy and they should be, will time the start of the transaction to once it's going to have the highest level of effectiveness.

David Mandell:

Makes complete sense. Okay. So now you found a good agent who's trustworthy, who's competent, and who has expertise of what you're doing, and maybe it's part of CARR. How do they get compensated? Is it always the same? There's always a percentage commission? Is that negotiable? Just give us the world of compensation.

Colin Carr:

Yeah. So the overall arching general standard for commercial real estate is that the landlord or the seller pays the commissions both for their agent and the listing agent and also for the buyers or the tenant's agent. So if you're a healthcare provider operating in a transaction as the tenant or buyer, not the landlord, but you're doing a transaction for your practice, you'll be a buyer tenant, you should be able to get representation at no cost to you. Now there's always the one out of a hundred weird scenario, so it's never a hundred percent this way, but the 99 percentile is the landlord knows they're going to pay their broker and they're going to pay the tenant



or buyer's broker. And it's just like residential real estate. If you go to buy a house, it is very rare for the buyer's agent to have to pay their broker or their agent, they're going to get half the commission from the listing agent.

And that's how commercial real estate works too. So it's a service that should be free to you should be of no cost to you and should save you, like you said earlier, a ton of time. It should result in significant financial savings. It should bring you peace of mind, it should help you avoid costly errors, complications, delays, and ultimately you're not to be the one pay for it. And again, it's not going to be just added into the deals to where, "Well, yeah, I'm still paying for it per month." No, it should be a predetermined amount of money that was already decided by the landlord and their listing agent before your deal even came up and you're just taking half the fee from the listing agent. And when doctors or health providers don't have representation, one of two things happens. One, the landlord just pockets that money and says, "I'm not paying anybody that money."

That's great for them. Or they'll pay their listing agent a double commission. So you can see the motivation on the listing broker's side for that doctor not to have an agent. They'll tell the doctors, "Oh, we'll give you a better deal." Number one, that's a total lie. They're not going to, because they don't legally work for that person. So they can't even say that legally, it's not true. Or the landlord just take that savings and pocket it. And they are very happy to have doctors show up by themselves because they will save a lot of money not on commissions, but they'll save a lot of money on giving that doctor a deal that's way more in their favor than in the doctor's favor if they had representation.

David Mandell:

That's so interesting you mention it, because I was thinking, and you verbalized it here, that some docs may go into this thinking, "Well, if I don't have an agent, maybe I can tell them, 'Give us what our agent would've made in a discount on the overall deal,'" and in their mind, a do-it-yourselfer mindset, I can come out better because I would've gotten the same deal or close to it that an agent would've gotten me, but they won't be paying that agent fee out and we'll get the benefit of that fee from the



landlord. I'm sure you run to people who think that way. I don't think that's the way it really works, as you're saying.

No, the landlord has probably already designated this and they give it to their agent who probably ethically can't say, "Hey, don't get another agent," but maybe in their own mind is hoping the doctor doesn't because they can pocket more, or the landlord will just pocket it. So it's not as if it's all in different piles on cash on a table, you're playing poker and you say, "Okay, this part, yeah, you can have that because it wasn't going to pay." It's all baked into their deal. But I imagine you get some of that mindset before that's explained. Is that not right?

Colin Carr:

You do. Yeah. You have the mentality, "Well, if I do it myself, I save money," but the reality is you're not the one paying the commissions. Now, if you were the landlord or the seller, sure, represent yourself and then don't hire a broker. You would be saving that. But if you're a tenant or a buyer, you're not determining the commission structure and you're not determining who's getting paid. And the best analogy that I can give you is an insurance company with a patient. You have a patient that has an insurance policy that allows them to get a certain amount of a benefit per year. You see this on the dental side all the time. Dentists start dialing every patient towards the end of the year saying, "You have this much money left in your dental benefit." It's a use it or lose it scenario. If the patient doesn't go to the dentist, the insurance company doesn't send the doctor that money.

The insurance company keeps that money. And if the patient doesn't go to the dentist, the insurance company doesn't send the patient the money. They keep the amount of money. It's a use it or lose it scenario. So in commercial real estate, you go into a deal by yourself, the landlord's not going to give you that money, they're not going to discount it, they're going to keep it or pay their brokerage double fee. They might tell you they gave you a better deal. And again, it's just unfortunately them taking advantage of you. And I wish I could say they don't do it, but they do it every day.



David Mandell:

Yeah, it's all dollars in, dollars out. At the end of the day, you have a lease. It's not broken out, "Oh, this much commission here." It may be eventually, but in terms of their mind, they're like, "Okay, what's the total amount we're getting over this next lease period?" And if the net amount is a lot more because you weren't represented, that doesn't really matter if you saved the extra brokerages commission if you paid X much more per square foot, right? It's like, "Okay, yeah, you made a penny, but we are paying out more of a dollar." But you have to overcome a little bit sometimes that do-it-yourself or zero-sum game mindset and I brought into it, so I'm glad you addressed it.

Colin Carr:

Yeah, yeah. They're smart enough. They'll tell the doctor, "You know what? If you don't have a broker, we'll give you two months of free rent and then here will be your lease rate." The reality is they would've given you three months of free rent with the broker and a lower lease rate with the broker and a higher TI allowance.

David Mandell:

Right.

Colin Carr:

They're smart enough not to make you think you got taken advantage of. They're going to say stuff like, "We've never done this before. We typically don't do this. I really like you, so I'm going to go ahead and I'm going to ask my bank if they'll give me the authorization to give you a better deal even though we're not supposed to." They'll play the used car salesman game, "Let me go into the back room," thing.

And again, it's somewhat humorous and I've been on both sides of it where you can just tell. I joke around, it's like a four-year-old wrestling, his dad. The four-year-old pins the dad, and then goes and tells his mom that he just beat his dad in a wrestling match. It happens every day. It's quite humorous. And you get these, not just doctors, it's anyone who's ever [inaudible 00:45:53].



David Mandell:

Right, of course.

Colin Carr:

But they leave the deal and they're like, "Ah, man, I got a pretty good deal. I'm feeling pretty good about this thing," and the landlord is laughing entire way to the bank.

David Mandell:

Yeah. Well, it makes sense. Listen, when you're in the business of doing it every day all the time, versus someone who comes up on it once every five years, it doesn't matter what the discipline is, that's going to be the result. Someone who does it all day every day and lives and breathes it and someone who does it every five years, well, of course you're not going to have it. So you got to even the play playing field. So Colin, last question. What's overall big picture piece of advice for docs when it comes to these transactions? What's the takeaway, big picture?

Colin Carr:

I would say you don't have to become an expert, but you have to find the expert and you need to treat it with the respect it deserves. Realize that it's typically a half million dollar, million, two million dollar transaction, and there's a margin on every deal that's minimally tens of thousands, but a lot of times it's a couple hundred thousand dollars. So just realize that there's a lot of money at stake and you don't want to lose the money because you don't have a couple hours to find the right person or talk to them or look at properties. You're going to have to invest a few hours of your time to find the person, to hire them, to meet with them, to look at other options to do it the right way. But if I said to you, "Hey, give me five hours of your time broken up in 20 minute increments over three months, and I'll give you a check for \$150,000 in exchange," you would say, "Well, of course I'll do that."

Everyone can find the time to save a couple hundred thousand dollars, but you do have to be intentional. So we're not making more of it than what it is. We're not making less of it than what it is. Is it going to ruin your career if you get a bad deal?



No, you'll still be fine, but there's no reason to lose \$200,000 in your next deal if you could save it. So treat it with respect, higher representation, trust the process like you said, and if you do that, you're going to end up on the favorable side more times than not.

David Mandell:

I love it. I like everything you said. It fits my thinking. I love the process and dedicate the time. That's really all it comes down to, right, is if you are listening to this and you're in the position where you're coming up on a transaction or you know what's coming in the future, just as we've tried to outline today, go back, find the right person, make the contact at the right time for maximum leverage and trust the process. And if Colin, his firm, could be part of it, again, we have no financial incentive here, but I think these guys know what they're doing. We'll certainly put his contact info and bio in the show notes and you can reach out to them. Might be a good place to start. So Colin, thanks a lot for being on, really. I learned a lot.

Colin Carr:

Yeah. David, thanks for having me. It's been fun.

David Mandell:

So for everybody listening, again, a couple things. Now we're in season four. I'm starting to get wise. Like the podcast or put a five star review in the podcast. We actually have a lot of five star reviews. so people have been doing it without me asking. Also, if you're a physician who has something interesting to say, I've been asking for this in the first couple years, contact me. I'd like to have experts like Colin on, but I also like to have docs telling their story. So if you are a doc who has interesting perspective or some thoughts on entrepreneurship or business or finance, get ahold of me and tell your colleagues. Let them know we're actually doing really well with this and we're getting more and more people listening every month. So spread the word and look for another episode of ours in the next two weeks. Thank you for listening.