

# Tired of paying rent every month? Are you thinking of constructing a pharmacy building? See what three multi-store owners had to say about their experience.

*Questions answered by Bobby Melnick, Steve Purvis and Chris Thurmond*

## Why did you and your business partners decide to build a building instead of continuing to lease? Pros/cons?

The decision really came down to the long-term outlook of the business. We felt like we were in a spot that we could continue to grow and support the business and moving to a stand-alone building would be the ideal outcome. Our particular lease was expensive and had some escalators that was going to continue to hamper the long-term ROI of the business. By building rather than continuing to lease, we felt that we were also giving ourselves another long-term investment in the real estate vs paying for a long-term investment for someone else.

## What is your favorite thing about the new building? Anything you'd change or do differently?

The best part is really moving to a free-standing store. The availability of our particular building lot right next to a MD group was a great advantage to us as well. Obviously the more prime the spot, the more expensive the land, but we felt the investment for the long-term was certainly there. By moving out of a strip center it also gave us full control over the parking area. The building itself is a bit more identifiable as well and we feel like it gives a better presence in the community.

## Is it difficult to design a new independent pharmacy building? How did you decide on what you wanted/customers needed?

This particular building was based off of a concept that one of the partners had already put in place in a different market. We shrank this particular store a little bit and concentrated more on the pharmacy versus the retail portion of the store. He wanted to sell and deliver healthcare, not compete with the Family Dollar that was 3 doors down for daily consumables. We felt that our retail space would be better used for items that people desired a pharmacist's opinion on such as OTC remedies, bath aids, canes, braces etc. rather than your typical toothpaste deodorant type items.

## Would you recommend other pharmacies looking at constructing a building as opposed to renting their space? What should their checklist be to do so?

I think that is different for every situation. I think it is something that every store should look at and analyze however. I have stores that I rent because of where the location is and the alternative is not nearly as attractive. If you can move to a better or similar location and buy and build close to your current rent payment it's really an easy decision. However, there are locations that a move could be detrimental to the business by moving to a less desirable place. Something always to consider if you are leasing and you are in a good spot is trying to purchase your existing location too. One huge advantage is being able to build the pharmacy and design

the pharmacy for your particular needs. We had rehabbed an old bank location and that certainly limited the way that we designed the pharmacy build-out for the leased space. When we built, we were able to evaluate and design exactly what we wanted and what we felt would best serve our community. You really have to factor in several things if you desire to build. Obviously, there's the land and the cost to build, but you may also start incurring a landscape bill and trash bill that you didn't have before. There are also impact fees that some communities impose on new construction. Don't forget to factor in how much the parking lot costs and how your ingress egress impacts traffic flow and is that convenient for your patients. Your insurance and property taxes go up as well and most people want to use new fixtures when they build new. Finally, I would sit down with a CPA and discuss the tax savings that your business can get from the depreciation on the building as well. After you have made the decision to build, price your building through at least three contractors and have an architect look over the pricing to make sure you are comparing apples to apples across the bids. Once the bids are done you can generally go back to the contractor and go over the plans and find some value savings in some of the small details to save money as well.

## How was it working with First Financial Bank through the construction loan process?

The process was fairly simple working with FFB. Once we got through the bid process and had an appraisal on the plans that met everyone's requirements, FFB really handled most of the stuff with the contractor. They would submit for draws associated with the work done, FFB would verify and make payment. This particular project had 4 investors in different parts of the state and FFB was very agreeable and accommodating to all the different schedules.

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