

Like many owner-occupied units, Dr. Cliff Avant's Plano dental office has a homelike feel to it.



Businesses take control of offices

Professionals choosing ownership over renting

By STEVE QUINN

Staff Writer

When Plano optometrist Dr. Saadi Darvish got fed up two years ago with paying rent on his office, he took out a \$300,000 mortgage to build a custom-designed office on Village Creek Drive.

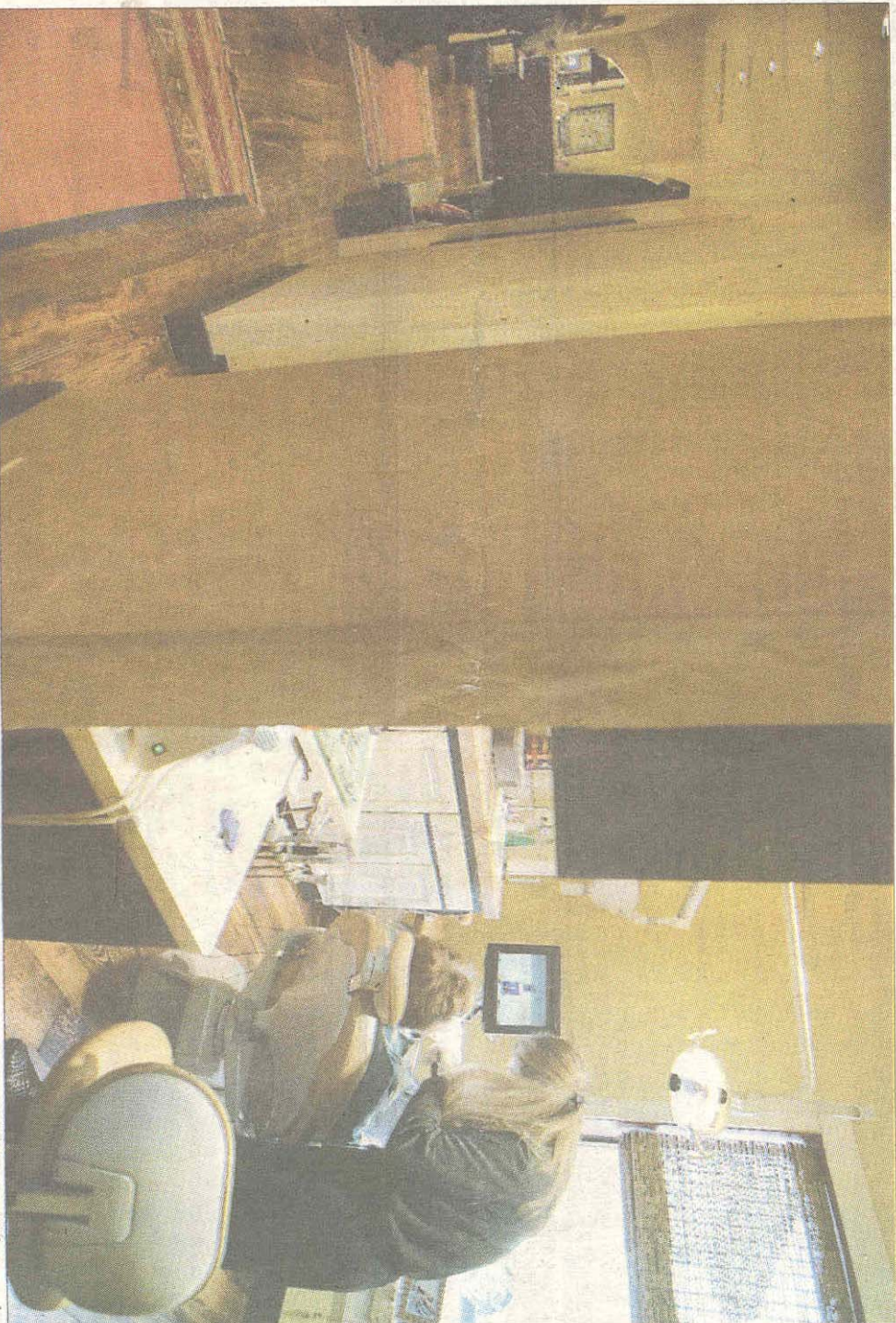
It was a profitable decision. Dr. Darvish's mortgage costs him about \$100 a month less than his rent. "And in 10 years, I won't have a mortgage," he said. "But if I leased an office for 10 years, I'd still be paying rent."

Dr. Darvish's switch reflects a growing interest among small-business owners in owning rather than leasing their offices.

"More now than the recent past — and I'm talking about the last 10 years — this has become a viable option," said E. W. "Woody" Young, a partner in Quest Capital Management who helps medical professionals plan their finances.

Owner-occupied offices tend to be single-story buildings clustered a few hundred yards off a main thoroughfare. Bunched together, they often look more like a residential neighborhood than an office park.

That feeling is reflected inside Dr. Darvish's office, which is dec-



Photos by VERNON BRYANT/Staff Photographer

Custom-built offices such as Dr. Cliff Avant's dental office are capturing the imaginations — and investment dollars — of professionals who are tired of paying rent but don't want to become landlords.

"These doctors, attorneys and CPAs are tired of losing money in the stock market, so they are coming to us and saying they'd like to own real estate."

See **BUSINESSES** Page 31

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VERNON BRYANT/Staff Photographer

Plano optometrist Saadi M. Darvish's mortgage payments on his Mediterranean-inspired office are less than his rent once was.

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Continued from Page 1J

orated with a Mediterranean flair to reflect his family's Italian heritage.

Next door, Dr. Cliff Avant has adopted a Southwestern motif at his dental office, complete with dark wood floors that once were the walls on an old barn.

Dr. Darvish, Dr. Avant and their professional neighborhoods belong to an owners association — much like those in condo developments — that manages the buildings and covers maintenance, landscaping and parking lot costs.

Office condos give professionals ownership of their space without making them landlords. "Otherwise, the land available might be twice as much as you need," Dr. Avant said. "Then I would have had to build a bigger building, and I'd end up being in the real estate and landlord business."

Risks involved

There are risks to such investments, Mr. Young said.

"The value of condos is not controlled by just you; it's also affected by the others," he said. "Yeah, most associations have standards. That's fine until a unit sits vacant for six months. You have to understand that's out of your control."

Area builders and banks are taking advantage of the interest in office condos.

Plano builder Jerry Huffman, who specializes in such projects, said that until three years ago, "I was doing just one or two a year, period."

Mr. Huffman now has 14 office condo projects under way in Plano, Allen, McKinney, North Dallas and Irving. And his company has grown to include 30 employees.

Mr. Huffman said he won't begin an office condo project until he gets a commitment to fill at least 50 percent of the development. And he won't build on spec.

"Otherwise, I would just be forcing somebody into a product they might not want," he said. "There is a certain pride in ownership of your own office, something



Cliff Avant

you help design."

One of Mr. Huffman's latest projects is Hackberry Creek Office Park on Kinwest Parkway, south of the LBJ Freeway, in Las Colinas. It's being developed by Addison-based Silver Tree Partners.

Trying something new

"Any time you're churning dirt in this economy, it creates interest, and that's what these have done," said Brett Williams of Silver Tree. "The other thing is these doctors, attorneys and CPAs are tired of losing money in the stock market, so they are coming to us and saying they'd like to own real estate."

Paul Dees, executive vice president for Bank of Texas, said the current tenants-to-owners trend is different from similar developments that were popular in the early 1980s.

"In the '80s, owners were taking a smaller amount of space for themselves and leasing out the rest of the building," he said. "I don't see that around this time. It's either 100 percent or a significant majority of it. They are not trying to get into the real estate and rental business ... the way they used to."

Mr. Dees said office condo developments protect the owners financially. The larger office developments don't.

"When those leases expire, tenants can move out, and that's not good," he said. "When you have an owner as an occupant, you are not as susceptible to the marketplace fluctuations."

"Meanwhile, professionals are looking for places to put their money to get a return. The real estate market not only provides them with tax incentives, but it's also a mechanism to control their future costs."

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