

Leadership Viewpoint: Volume 1

Dental-Anchored Real Estate Is Winning—Here’s Why Tenant Mix Makes a Difference.



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Dental-Anchored Real Estate: Structural Resilience Driven by Tenant Strategy



In a market defined by elevated interest rates, tighter capital formation, and heightened underwriting discipline, investors are prioritizing durable income, downside protection, and operational resilience. Asset classes that can deliver all three are increasingly scarce. Dental-anchored medical real estate—particularly when structured around a diversified mix of practices rather than a single operator—continues to demonstrate structural advantages that align with these priorities.

At Octave Holdings & Investments (Octave HI), in **partnership** with Vantico Investments, our investment philosophy is straightforward: risk is not avoided—it is mitigated through asset structure, tenant alignment, diversification and disciplined execution.

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Through our partner Vantico's acquisition and operation of dental-anchored assets across high-growth Southeastern markets, these advantages are not theoretical; they are operational realities.



Execution Matters: How OVA executes within this strategy

Compelling sector fundamentals alone do not guarantee performance—execution determines outcomes. Our partner Vantico's strategy centers on partnering with private equity-backed and scaled regional healthcare platforms actively expanding in high-growth states. Rather than leasing to fragmented, single-location operators, Vantico prioritizes professionally managed groups with institutional sponsorship, operational infrastructure, and defined growth mandates.

This approach is designed to:

- Secure long-term leases with institutional-quality operators
- Reduce credit volatility through PE-backed sponsorship
- Align site selection with active expansion strategies rather than speculative leasing
- Deliver premium, high-visibility locations that support tenant growth

The focus extends beyond property acquisition. It is the deliberate development of healthcare real estate infrastructure aligned with long-term institutional expansion.

1. Structural Risk Mitigation: Why Dental Tenancy Is Exceptionally Durable

Dental real estate benefits from structural characteristics that materially reduce income volatility.

- **Near-zero default history**
Dental practices historically exhibit failure rates below 0.5%, materially outperforming traditional retail and standard office tenants.
- **Capital-intensive buildouts create embedded commitment**
Dental suites require specialized plumbing, electrical systems, imaging rooms, and lead-lined walls—frequently costing \$150–\$250 per square foot. For many operators, this represents a \$500,000+ capital investment embedded within the space. Relocation is economically disruptive and operationally inefficient.
- **The referral ecosystem effect**
When general dentists and specialists co-locate, they create an integrated referral network. Moving locations is not simply a lease decision—it disrupts patient continuity, referral relationships, and revenue streams.
- The resulting tenant retention is structural, not cyclical.

2. Medical Office Fundamentals Remain Best-in-Class

Beyond dental-specific advantages, the broader medical office sector remains one of the strongest-performing segments within commercial real estate.

- National medical office occupancy rates approach 95%
- Stabilized cap rates commonly range from 5.5% to 7%, depending on tenant quality and market positioning
- Assets leased to private equity-backed or scaled healthcare platforms frequently command premium pricing due to perceived credit strength

Demand drivers remain durable and demographic in nature:

- An aging U.S. population
- Continued migration toward outpatient care
- Health system decentralization into community-based locations

These structural tailwinds provide a durable demand floor for well-located medical real estate, particularly in high-growth regional markets.

3. Diversification Enhances Yield Quality and Valuation

Diversified dental medical office buildings offer advantages that single-tenant assets cannot replicate.

- **Income diversification**
General dentistry provides non-discretionary demand stability, while orthodontics, oral surgery, and cosmetic practices introduce higher-margin upside during expansionary cycles.
 - **Stronger margin profiles**
Specialty practices often generate higher EBITDA margins, enhancing resilience to rent escalations and triple-net expense growth.
 - **Institutional perception and pricing**
Multi-tenant, diversified medical assets are widely viewed as institutional-grade, frequently benefiting from cap rate compression relative to single-tenant risk assets.
 - Diversification improves income durability while preserving growth optionality.
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4. Embedded Operational Alpha in Medtail Assets

Dental-anchored Medtail properties generate operational advantages that compound over time.

- **Consistent foot traffic**
Pediatric and general dentistry create steady daily patient visits, supporting adjacent service retail, labs, and healthcare uses.
 - **Durable infrastructure value**
Unlike conventional office improvements, dental infrastructure represents functional, hard-to-replicate capital investment that remains embedded within the asset, even upon re-leasing.
 - **Efficient capital deployment**
Tenant improvement dollars in dental are specialized and defensible—not cosmetic—reinforcing long-term asset value.
 - In this context, Medtail is not merely a leasing strategy; it is a structural operating advantage.
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5. Exit Optionality and Institutional Liquidity

In a liquidity-conscious environment, exit flexibility materially enhances asset value. Well-designed dental-anchored assets offer multiple monetization pathways:

- **Condominium-style dispositions**, allowing individual suite sales to owner-operators or DSOs, often generating higher blended valuations
- **Portfolio-level acquisitions by PE-backed Dental Service Organizations**, seeking synergistic multi-practice locations
- **Institutional medical office buyers**, attracted to diversified, de-risked income streams

Assets that reduce execution risk for DSOs and institutional buyers naturally command stronger demand and premium pricing. Optionality is not ancillary—it is value creation.

Final Perspective

The investment case for dental-anchored real estate is grounded in structural durability, not market timing. When diversified across general and specialty practices and aligned with institutional healthcare operators, these assets combine:

- Stable, recession-resistant income
- Structural tenant retention
- Embedded operational advantages
- Flexible and premium exit pathways

At Octave HI, in partnership with Vantico Investments, our focus is disciplined scaling—aligning institutional tenant credit, demographic demand drivers, and site selection rigor.

In an environment where predictability commands a premium, thoughtfully executed Medtail investing continues to justify its place in sophisticated portfolios.



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Outreach and Key Information:

- Get in touch: zrahman@octavehi.com
- Click here to access the [OVA pitch deck](#)
- Scan below barcode to access the Investor Portal

