

SHOULD YOU OWN REAL ESTATE IN YOUR PRACTICE?



Five tips for aesthetic physicians considering selling real estate to REIT.

BY DAVID B. MANDELL, JD, MBA AND JASON O'DELL, MS, CWM

Although independent physicians have historically preferred to own their facilities, today's practice owners may want to take some profit off the table or may need to redirect capital to other expenses. Changes in today's healthcare environment have caused many to reevaluate their real estate ownership, and physicians are considering strategies that allow them to recapture value from real estate owned by the medical practice.

One such strategy is the sale of medical office buildings and land to a Real Estate Investment Trust (REIT), a company that owns or finances income-producing real estate. According to Revista, purchases of medical practices and facilities by Healthcare REITs have been on the rise in recent years, accounting for more than 50 percent of healthcare real estate transactions in 2014 and 2015.

Here are five tips for physician owners who may be considering the sale of real estate to a REIT.

1. PLAN AHEAD FOR HIGHER RETURNS

If you are considering the sale of your building, be sure there is a lease between the physician owner and the practice in place with market rents and at least five to seven years of term remaining. This creates value for a potential REIT buyer and higher returns for the physician seller.

2. REIT BENEFITS: STOCK IN DIVERSE PORTFOLIO VS. SINGLE ASSET INVESTMENT

When a physician owns his or her building, he/she has an investment in one asset. When they sell to the REIT and take proceeds that include stock in the REIT, the physician then owns stock that is supported by multiple buildings in the REIT portfolio. This can reduce the risk of real estate ownership for the physician.

3. LISTED PUBLICLY TRADED REIT BENEFITS: TAX CONSEQUENCES

Physicians contemplating the sale of their buildings should also consider the tax consequences. If the buyer is a listed publicly traded REIT, there are tax advantages for the physi-

cian that only publicly traded REITs can provide as the buyer of the building.

4. REVIEW THE REIT'S FINANCIAL DATA AND CREDIBILITY

A physician should evaluate the credibility, financial strength, and ability to close the purchase by any buyer being considered. The public nature of REITs provides the physician seller information on the REIT's financials, experience closing similar acquisitions, and references of other sellers to a particular REIT.

5. REVIEW THE REIT'S ACCESS TO CAPITAL FOR LONG-TERM MAINTENANCE

Another consideration by a physician who wants to sell his or her building is the ability of the buyer to maintain the building appropriately. The buyer must have access to capital for improvements and maintenance over the term of the lease with the physician practice. REITs typically have ready access to capital for buildings in their portfolio. ■

Several of the authors' clients have recently completed profitable sale transactions. If you are interested in learning more about this, or are already exploring this course of action and want another option/potential buyer, please contact the authors at odell@ojmgroup.com or (877) 656-4362.

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DAVID B. MANDELL, JD, MBA AND JASON M. O'DELL, MS, CWM

■ David B. Mandell, JD, MBA, is an attorney and author more than a dozen books for doctors, including *For Doctors Only: A Guide to Working Less and Building More*. He is a principal of the wealth management firm OJM Group www.ojmgroup.com, where Jason M. O'Dell, MS, CWM is also a principal, co-author and financial consultant. They can be reached at 877-656-4362 or odell@ojmgroup.com.