



Time to Lease ... or Buy?

By Todd Perman, President & CEO Healthcare Real Estate Advisors, Inc., a Division of Lynx Real Estate, Inc.

With the current uncertainty of the economy as a whole and particularly the stock markets, many are beginning to diversify their investments. One of the most predictable and simple investment opportunities may be the office space used by your practice. From office condominiums to free-standing buildings or multi-tenant medical office building partnerships, there are an abundance of choices in the metro Atlanta medical markets. There are pros and cons to consider based on your own practice and your personal investment strategies.

Purchasing your own office space can give you the ability to sell your practice and keep the real estate so that in retirement you can have residual real estate income. On the other hand, leasing offers flexibility in your location and size with little initial cash contribution. Depending on your situation, you may want multiple locations to practice several days a week and attract a different patient population. Leasing allows you to do this with minimal expense. If you are going to lease, it is very important to negotiate a lease that protects you and controls your occupancy costs for as long as possible with no hidden charges. A qualified healthcare real estate advisor can help you

accomplish this.

For a financial comparison, consider the effect on your practice. Will the large medical building lease bring more referrals or increase your census? Will the free parking and signage possible with ownership attract more patients? How might each location increase or decrease your patient volume? With the time frame in mind, do the math. First compare any moving costs and all the occupancy costs of each choice over a ten year period. Then you are ready for a side by side financial comparison.

On the purchase options, compute the negatives like the lost benefits of cash outlay and any management cost. Then compute the positives aspects of appreciation, loan principal reduction and tax benefits. Your lease vs. purchase decision is much easier when you can see the bottom line of each choice.

For example, the principal reduction and appreciation of the property over a typical medical lease time period can easily tip scales in favor of purchase. If you decide to relocate, the property can be leased to another practice for income.

Call a Healthcare Real Estate Advisor that understands the medical business and can help you negotiate as many choices as possible and help you do the math so you are the ultimate winner of the lease vs. purchase battle.

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