

Alberta Doctors' Digest

Sponsored article: Ready to buy or lease real estate for your practice?

When looking to start your practice or expand your existing one, location is one of the most important factors to consider. The right location can increase visibility, attract new patients and make it easy for your existing patients to reach you by public transit.

Whether you are starting a new practice or have outgrown your current practice's location, there can be benefits to leasing and buying real estate. Consider your long-term business goals and how much space you need. Here are some other factors to keep in mind.

Leasing benefits

1. Leasing gives flexibility. It allows you to relocate to a new area or expand your growing business.
2. Leasing frees up your working capital. If you lease a building or space that is already equipped and set up for a practice, you can start immediately with minimal start-up costs.
3. Leasing reduces the hassle of maintenance. Your landlord will handle all repairs and maintenance, allowing you to focus on what you do best – caring for patients.



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Leasing drawbacks

1. Leasing can put rules on building use. Some leases don't allow the tenant to make physical changes to the inside or outside of the building. If the office and practice

- space is worn down or the exterior needs paint or repairs, you'll have to count on the landlord for improvements.
2. Leasing costs can vary. Your monthly rent could increase each year, or the landlord could refuse to renew your lease if your agreement expires without a renewal option. Your landlord could also sell the building, forcing you to move. These are things you have little control over. Be sure you've reviewed your lease agreement carefully.
 3. Leasing can affect your patient base. If your landlord does not renew your lease, you will be forced to relocate, which may lead to potential loss of existing patients unwilling to follow you to your new location.

Buying benefits

1. Buying allows you more revenue streams. If you buy a large space, you can rent out parts of it to other health care providers, thus creating a revenue stream.
2. Buying secures your location for the future. You can grow your patient base for the long-term without worrying about switching neighbourhoods due to a leasing issue.
3. Buying is an investment. If you are buying a building, it can turn into a valuable investment by the time you retire. There is a possibility that you can sell your building for profit, or you can lease your building out for residual income into retirement.
4. Buying gives you tax deductions. When you own the property, you can claim various tax deductions associated with the cost of running your practice. These include mortgage interest, property tax, building depreciation and other items.
5. Buying gives you remodelling freedom. Need to update your building or change the interior layout to fit your practice's needs? Remodeling costs can be financed through the Scotia Professional® Plan, so you can equip your practice with everything you need.

Buying drawbacks

1. Buying can stall your growth efforts. If you need to relocate your practice because you have outgrown your space, you can incur a lot of relocating costs or find yourself with a commercial building that may take a long time to sell or lease. If you need to sell quickly, you might have to take a loss if the market is not thriving.
2. Buying requires more due diligence. In some cases, buying a commercial building will require thorough condition inspections and environmental assessment, which can incur additional costs and expenses. These can be done through an environmental inspection company and lawyer to ensure you have done your due diligence for patient safety before purchasing.

Even if you decide to buy, you may find yourself limited to the current real estate marketplace and location preferences for where you want to open, expand or grow your practice. If there are few commercial buildings for sale in your desired area of business, you might have to choose to lease for a few years and consider buying later. Waiting to buy can potentially cost you more down the road if property values continue to rise. Each situation and practice is unique, so it is important that you arrive at a decision that is right for you at each point of your career.

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