

Alberta Doctors' Digest

Sponsored article: Should you lease or buy real estate for your medical practice?

Whether you're starting a new practice or have outgrown your current practice space, there are benefits to both leasing and buying real estate. Consider what your long-term business goals are and how much space you need.

One of the most important factors to consider when you're looking to start or expand your medical practice is location. The right location can increase your visibility, attract new patients and make it easier for your existing patients to reach you.

Here are some factors to keep in mind.

Pros of leasing

Leasing gives flexibility. It allows you to relocate to a new area or expand your growing business quickly.

Leasing frees up your working capital. If you lease a building or space that is already in use by other physicians and set up for a medical practice, you can get started right away with minimal start-up costs.

Leasing reduces the hassles of maintenance. Your landlord will handle repairs and building maintenance, allowing you to focus on what you do best – caring for patients.



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Drawbacks of leasing

Leasing can mean inconvenient rules on building use. Some leases don't allow the tenant to make physical changes to the inside or outside of the building, so if the office or clinic space is worn down or the exterior is in need of paint and repairs, you'll have to count on the landlord for improvements.

Leasing costs can vary. Your monthly rent could go up each year. The landlord could also refuse to renew your lease if your agreement expires without a renewal option. These are things you have little control over as a tenant, so be sure you review your lease agreement carefully.

Leasing can affect your patient base. If your landlord doesn't renew your lease or your landlord sells the building, you'll be forced to relocate, which may lead to the loss of existing patients unwilling to follow you to your new location.

Pros of buying

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.

Buying gives you remodelling freedom. Need to update your building or change the interior layout to fit your practice's needs? No problem! Since the building is yours, you're free to equip your practice with everything you need.

Buying gives you tax deductions. When you own the property, you can claim deductions associated with the cost of running your medical practice such as mortgage interest, property tax and building depreciation.

Buying allows you more revenue streams. If you buy a large space, you can rent out parts of it to other health care providers or pharmacists.

Buying is an investment. Your building can turn into a valuable investment by the time you retire. You may be able to sell your building at a profit or lease it out for residual income in retirement.

Drawbacks of buying

Buying costs more upfront. Make sure your cash reserves will cover the immediate costs of buying a property, such as the down payment, lawyer's fees and real estate agent's commission. Also, make sure your cash flow is healthy enough to weather increased borrowing costs if interest rates continue to rise.

Buying requires doing more of your own groundwork. It may require various inspections and an environmental assessment to ensure you have done your due diligence for patient safety before purchasing. These add some time and expense.

Buying could limit your options. Your choice of where to open, expand or grow your practice may be restricted if there are few suitable buildings for sale in your desired area.

Each situation and each practice is unique

It's important that your decision is right for you – not just now, but at each point of your medical career.

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