

Greysteel



Healthcare Real Estate Insights Guide

Empowering Healthcare Property and Clinic Owners

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What If Your Real Estate Could Fuel Your Next Chapter?

Healthcare real estate is a uniquely resilient asset class, driven by essential services, stable tenancy, and long-term demographic demand. For medical professionals who own their properties, this creates a significant—but often underleveraged—opportunity. Your building is more than a place of practice; it is an income-producing asset shaped by lease structures, tenant strength, location, and broader market conditions. Understanding how these factors interact is the first step toward making informed, strategic decisions about your real estate.

This guide provides a comprehensive framework to help you maximize that value. From identifying the optimal time to sell and strengthening the fundamentals that drive pricing, to understanding today's buyer landscape and evaluating sale-leaseback strategies, each section is designed to give you clarity and control. By approaching your property with the same discipline investors use, you can position your asset to achieve stronger outcomes—whether your goal is growth, liquidity, or long-term planning.

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Timing the Market

Guiding Healthcare Property Owners Through Strategic Sales Decisions

The healthcare real estate sector stands out as a uniquely resilient asset class, **often thriving** even when other markets face uncertainty.

For medical professionals who own their properties—from veterinarians and dentists to ophthalmologists—your building is more than just a place of business; it's a significant financial asset. Maximizing its value requires more than just excellent patient care; it demands strategic timing when it comes to selling.

Understanding when to sell is a critical decision that can significantly impact your financial outcome. It's not just about listing the property; it's about aligning the sale with powerful market forces, tenant stability, and your personal goals. In this first article, we'll explore the key factors that influence the perfect time to sell, helping you make an informed and strategic choice as the foundation for everything that follows.

Unique Factors Influencing Sales Timing

Unlike other commercial properties, the value of a medical office building is tied to a specific set of influences. Understanding these factors is the first step toward timing your sale effectively.

- Lease Expiration Dates

The length and terms of your tenant leases are paramount. A property with a long-term lease, especially with a stable healthcare provider, is highly attractive to investors seeking predictable cash flow. Upcoming lease renewals can serve as a powerful motivator for a sale, as extending a lease can lock in value for a potential buyer.

- Tenant Creditworthiness

The financial strength of your tenant matters. A credit upgrade or corporate acquisition of their practice can instantly boost your property's value. Properties occupied by corporate-backed guarantors, such as hospital systems or private equity firms, are often seen as more valuable than those with independent operators, since the income stream is guaranteed by a creditworthy entity.

- Stability of Healthcare Tenants

Healthcare is considered recession-resistant. People need medical care regardless of the economic climate, which makes healthcare tenants exceptionally stable. This inherent stability provides a hedge against broader market volatility, making a well-timed sale an attractive opportunity for investors looking for a secure asset.

The Impact of Macroeconomic Factors

Broader economic trends also play a crucial role in determining the ideal time to sell your property. While the healthcare sector has built-in resilience, it is not entirely immune to macroeconomic shifts.

The cost of borrowing is one of the most important factors for potential buyers. Lower interest rates allow buyers to secure more favorable loan terms, which can drive up demand and, in turn, offers. While interest rates and property values are related, a decrease in rates can substantially increase what buyers are willing and able to pay.

Inflation and changes in borrowing costs directly influence a buyer's ability to finance a deal. As a seller, being aware of these conditions allows you to position your property to take advantage of favorable lending environments. While healthcare policy changes can introduce uncertainty, the fundamental demand for services often outweighs these concerns for savvy investors.



Healthcare Industry Trends Shaping Demand

The healthcare industry is constantly evolving, and these trends directly impact the demand for medical office space. Staying ahead of these shifts can help you time your sale to coincide with peak demand.

- An Aging Population

The baby boomer generation is driving a significant increase in the need for medical services. Projections show that the demand for medical office buildings is expected to grow substantially over the next five years, creating a built-in patient and client base for healthcare providers. This demographic tailwind provides long-term stability and attracts investors.

- The Hub-and-Spoke Model

Hospital networks are increasingly adopting a "hub-and-spoke" model, establishing smaller outpatient facilities in communities that are supported by a central hospital. This trend increases demand for smaller, accessible medical buildings in suburban and retail-oriented locations.

- Telemedicine and Outpatient Growth

While telemedicine is growing, it hasn't diminished the need for in-person visits. In fact, it often complements physical practices by handling routine follow-ups, freeing up clinic space for patients who require physical examinations or procedures. The continued shift toward outpatient care means facilities outside of traditional hospital campuses are more valuable than ever.



How to Evaluate the Right Time to Sell

For a medical professional, the decision to sell is often a binary one: are you looking to grow your practice or are you planning for retirement? Your motivation is the starting point for any strategic decision.

A comprehensive property valuation is essential. At Greysteel, our advisory process begins with a thorough analysis of your property, its leases, and profit-and-loss statements. We compare your asset to recent sales and current market activity to provide a clear and accurate opinion of value. This data-driven approach removes guesswork and empowers you to make confident decisions.

We also help you address common concerns, such as preserving your legacy. Many medical professionals have spent decades building their practice, and the property that it inhabits, and want to ensure it continues to serve the community. Corporate and Private investors often recognize the value of a trusted name and will work to maintain the practice's identity. Aligning your sale with the right buyer who respects your legacy can provide peace of mind.

Your Partner in Strategic Decision-Making

Timing the sale of your healthcare property is a complex process influenced by lease structures, economic conditions, and industry trends. Navigating these factors requires expert guidance from a team that specializes in the nuances of the healthcare real estate market. By thinking strategically about timing, you can unlock the maximum value of your asset and achieve your personal and financial goals.

Whether you are planning for retirement, seeking capital to expand your practice, or simply exploring your options, the right partner can make all the difference. Our team at Greysteel is dedicated to helping healthcare property owners like you navigate every step of the process with confidence.

Fundamentals of Value Creation

Unlocking the Potential of Healthcare Properties

To truly maximize the value of your medical office property, you must **understand why certain assets command a premium** in the eyes of investors.

That's where value creation comes in. In this installment, we'll examine the key factors—such as lease strength, tenant credit, and property performance—that can help transform your property from an average offering into a sought-after investment.

By viewing your asset through the lens of today's buyers, you'll gain the insight needed to unlock its full potential when you decide to go to market.

The Unique Nature of Lease Terms in Healthcare

A lease is the engine of a commercial property's value. In the healthcare sector, leases have unique characteristics that investors prize for their stability and predictability.

- Strong and Stable Tenants

The healthcare industry is considered recession-resistant because its services are essential. This translates to highly stable tenants, from hospital systems to private equity-backed brands to long-standing independent practices. Unlike retail or traditional office spaces that can be susceptible to economic downturns, medical tenants rarely close or move, offering a secure and continuous income stream that buyers value highly.

- Lease Structures That Drive Value

The type of lease you have in place significantly impacts your property's valuation. Investors strongly prefer net leases, where the tenant is responsible for property taxes, insurance, and maintenance. A triple-net (NNN) or absolute NNN lease, where the tenant covers all expenses, creates a hands-off, low-risk investment.

- Key Provisions for Buyers

Beyond the lease type, buyers look for specific terms that signal long-term security. A lease with a minimum of five years remaining, built-in annual rent increases, and multiple renewal options is far more valuable than a short-term or flat-rent agreement. Even small annual rent increases can have a massive impact on the final sales price.



Location and Specialized Features as Value Drivers

Where your property is located plays a huge role in its value. Proximity to hospitals, major healthcare hubs, and growing residential communities is a significant advantage. A building located near complementary medical services, such as labs or physical therapy clinics, creates "stickiness". Tenants are less likely to leave an ecosystem that supports their practice and serves their patients.

Specialized property features also add considerable value. Facilities with imaging centers, surgical suites, or medical-grade HVAC systems are difficult and expensive to replicate. This specialized infrastructure makes tenants more invested in the location, as moving heavy and costly equipment is a major undertaking. These features not only enhance tenant retention but also make the property a vital asset to the surrounding community.

Build a Foundation for a Successful Sale

Understanding and optimizing the core drivers of value is the most important step you can take to prepare your healthcare property for a successful sale. By focusing on lease terms, tenant quality, property condition, and location, you can significantly enhance your asset's appeal and command a premium price. These fundamentals are what investors look for, and delivering on them is the key to unlocking your property's true potential.

Navigating the complexities of lease negotiations, property improvements, and market positioning requires deep expertise. The right guidance can mean the difference between a good outcome and a great one. At Greysteel, we specialize in helping medical property owners prepare their assets for sale to achieve maximum value.

Tenant Creditworthiness and Its Impact on Value

Who is responsible for paying the rent? The answer to this question is a major factor in determining your property's value. An investor is essentially buying an income stream, and the more secure that income is, the more they are willing to pay.

Properties with corporate-backed tenants—such as a large hospital network or a national practice group like VCA or Heartland Dental—are incrementally more valuable than those with independent operators. A corporate guarantor provides a layer of financial security, assuring buyers that rent will be paid even if the local practice faces challenges. If an independent practice struggles, a landlord has limited options, which introduces risk.

Assessing a tenant's stability involves looking at their specific use, the local competition, and the condition of the building. A practice with deep community roots and little competition is a stable bet. As a property owner, you can enhance this stability by offering tenant improvement dollars in exchange for a lease extension, locking in a reliable tenant for years to come and boosting your property's appeal.

Maximizing Value for Owner-Occupied Properties

If you are a medical professional who owns and operates your practice from your building, you have a unique opportunity to maximize its value before a sale. By thinking like a buyer, you can make strategic improvements that lead to a significantly higher sales price, especially in a sale-leaseback scenario.

- **Renew or Extend Your Lease**
Before going to market, structure a new, market-favorable lease for your own practice. This should be a long-term, net lease with clear terms and annual rent increases. This step single-handedly creates a secure, predictable asset for a potential buyer.
- **Address Deferred Maintenance**
Buyers are deterred by properties that require immediate and costly repairs. Addressing deferred maintenance, such as fixing a roof or updating the HVAC system, removes a major objection and signals that the property has been well-cared-for.
- **Evaluate Layout and Functionality**
Is your space efficient and modern? An updated, functional layout that meets the needs of a contemporary medical practice is a key selling point. Simple cosmetic upgrades or reconfigurations can make the space more attractive to future tenants and, therefore, more valuable to an investor.



Buyer Profiles

Navigating the Healthcare Property Investment Landscape

A successful sale depends on aligning your property with **the right buyer**.

The investor landscape is diverse, with different groups seeking different opportunities. By understanding the unique goals and strategies of each buyer type, you can position your property to attract the most qualified offers and close the deal with confidence.

This final article will guide you through the profiles of today's most active healthcare property buyers and show you how to tailor your approach to meet their needs.

Who's Buying? An Overview of Buyer Types

The healthcare real estate market attracts a wide range of investors, each with distinct criteria. Knowing who they are is the first step in crafting a targeted sales strategy.

- **Real Estate Investment Trusts (REITs)**
These are large, often publicly traded companies that own and operate income-producing real estate. Healthcare-focused REITs look for scale and stability. They prefer newer, larger properties (often \$10 million or more) with long-term, net leases and tenants backed by strong corporate credit, like hospital systems.
- **1031 Exchange Investors**
These buyers are motivated by tax deferral. Having recently sold another investment property, they are on a strict timeline to reinvest the proceeds. They are often drawn to long-term, net-leased properties with creditworthy tenants because these assets offer stable, low-management income that fulfills their exchange requirements.

- **Regional and Local Market Buyers**
This group includes private real estate professionals and smaller investment firms who have deep knowledge of their local market. They are often more flexible and may see value in properties that larger institutional buyers overlook, such as smaller buildings or those with independent physician practices.
- **Private Equity Firms**
These investors are increasingly active in consolidating healthcare practices. They acquire real estate of similar tenant types, often through sale-leaseback transactions. They are focused on the strength and cash flow of the underlying medical practice as much as the property itself.

Each of these buyers is looking for something different. A large REIT might pass on a \$2 million clinic, but that same property could be the perfect fit for a local 1031 exchange investor.

Tailoring Marketing Strategies to Buyer Profiles

Effective marketing isn't about reaching the most people; it's about reaching the right people. A one-size-fits-all approach is inefficient. A sophisticated advisory team will segment its database to match your property with buyers who have a history of purchasing similar assets.

Part of this process involves translating the value of your medical office into terms that resonate with different investors. For example, an investor who typically buys fast-casual restaurants might not be familiar with healthcare real estate. We can demonstrate how a medical office offers a similar or even better risk-return profile due to the built-in stability of healthcare tenants.

The tenant mix also plays a crucial role. A property with a national provider as an anchor tenant will naturally attract national buyers and institutional capital. Conversely, a building with a mix of strong local practices might be more appealing to a regional investor who understands the local market dynamics.



Addressing Buyer Challenges and Evaluating Long-Term Appeal

Every buyer has concerns that must be addressed to get a deal across the finish line. In the healthcare sector, two of the biggest hurdles are the strength of the lease and the ability to secure financing. Buyers need to see a clear, reliable income stream to feel confident in their investment. A property with a short-term or poorly structured lease can be difficult to finance. At Greysteel, we proactively address this by obtaining debt quotes for every property we market, showing buyers that the deal is financeable from day one.

Investors also evaluate long-term market trends. Some may ask about the impact of telemedicine, but the data shows that it complements rather than replaces in-person care. People still want to see their doctor face-to-face. More importantly, the aging baby boomer population creates a massive, built-in patient base, ensuring sustained demand for medical services for decades to come. This demographic tailwind provides a powerful story of stability and growth for your property.

Positioning Owner-Occupied Properties for Sale-Leaseback Deals

For medical professionals who own their building, a sale-leaseback offers a powerful way to unlock capital while continuing to operate their practice. In this transaction, you sell the property to an investor and simultaneously sign a long-term lease to become the tenant. To attract buyers to a sale-leaseback, you need to promote the strength of your business. Investors are buying the income stream that your practice will generate, so they need to see a history of strong cash flow and stable leadership.

Structuring market-favorable lease terms is also essential. This means creating a long-term, triple-net lease with scheduled rent increases. While independent operators may not have the corporate credit of a large hospital system, this can be an advantage. These deals often sell at slightly higher cap rates (yields), which expands the buyer pool to a larger range of investors seeking attractive returns.

Find the Right Buyer for Your Property

Successfully selling a healthcare property requires a deep understanding of timing, value, and the motivations of your potential buyers. By identifying who your ideal buyer is and what they are looking for, you can strategically position your asset to stand out in the marketplace. Whether your property is best suited for a large REIT or a local investor, a targeted approach is the key to achieving your financial objectives.

Navigating this complex landscape requires a partner with proven expertise and established relationships across all buyer types. The Greysteel team specializes in connecting sellers with the right buyers to ensure a smooth transaction and a successful outcome.

Unlocking Healthcare Real Estate Value

A Guide to Sale-Leaseback Strategies

For many medical practice owners who own their property, a sale-leaseback offers the best of both worlds: **converting real estate assets into cash while retaining full operational control** over the business.

It is a sophisticated financial tool that, when executed properly, can provide the capital needed for growth, diversification, or retirement planning.

What Is a Sale-Leaseback?

A sale-leaseback is a financial transaction in which a property owner (usually the practice operator) sells their real estate to an investor, while simultaneously signing a long-term lease to remain in the property as a tenant.

Simply put, you transfer passive ownership of your real estate in exchange for a significant infusion of capital, all while your clinic operations continue without interruption. The new owner becomes your landlord, whose main objective is to receive a predictable stream of rent from a stable and reliable tenant like you.

Why Sale-Leasebacks Work for the Medical Office Sector

The healthcare sector's inherent stability makes it an ideal environment for sale-leaseback transactions. Investors are willing to pay a premium for properties with reliable tenants, and medical tenants are viewed as the gold standard because of the essential nature of their services and the low likelihood of relocation.

- Inherent tenant stability

Unlike retail or traditional office spaces, medical services are essential. Economic downturns do not reduce demand for dental checkups, eye care, or veterinary services. This recession-resistant characteristic provides investors with unmatched security.

- High switching costs

Medical practices are typically equipped with expensive specialized equipment and customized infrastructure. Relocating is not only costly but also disrupts patient care, which means medical tenants tend to remain long-term, ensuring steady rental income.

- Investor appeal

Sale-leasebacks in the medical sector are especially attractive to investors seeking passive income, since these leases are often structured as "NNN" (triple net) arrangements. This means the tenant is responsible for property taxes, insurance, and maintenance, creating a nearly hands-off investment for the landlord.



Benefits of Sale-Leasebacks for Medical Professionals

For property owners, the advantages of sale-leasebacks go far beyond simple financial gain—they can serve as a catalyst to help you achieve a range of strategic goals.

1. Unlock Capital for Growth or Retirement

This is the most immediate benefit. Selling your real estate frees up your equity from a single illiquid asset and injects significant cash into your business. These funds can be used for a variety of purposes:

Business expansion: Open new locations, invest in advanced technology, or hire additional staff.

Partner buyout: Provide capital for partners approaching retirement—without dipping into operating funds.

Retirement planning: Diversify your investment portfolio and fund your retirement lifestyle.

2. Maximize Real Estate Value

Selling the real estate separately from your business typically delivers greater overall value. Healthy clinic income can support higher rents, which directly translate into greater property valuations. Attempting to sell real estate bundled with the business often restricts the pool of buyers and may undervalue the real estate component.

3. Maintain Operational Control

Unlike selling your practice outright, a sale-leaseback allows you to retain full control over your operations. You continue to serve your patients your way—while benefiting from the financial flexibility that comes with being a tenant.

Key Elements of a Successful Sale-Leaseback

The success of a sale-leaseback hinges on the terms of the lease agreement. A carefully structured lease can dramatically increase your property's appeal to investors, maximizing your sale proceeds.

- **Long-Term Lease:** Investors seek stable, long-term income streams. A lease term of 10 years or more, often with several renewal options (for example, three 5-year renewals), is considered the gold standard. The longer the lease, the higher the value.
- **Market-Aligned Rent:** The rent should be consistent with the market rate for similar properties in your area. Another common benchmark is that rent should represent a reasonable percentage of the clinic's gross revenue, typically between 4–6%. This demonstrates to investors that the rent is sustainable.
- **Annual Rent Increases:** To hedge against inflation and ensure growing returns, investors expect the lease to include annual rent escalations, usually in the range of 2–3%.
- **Strong Lease Guarantee:** The lease should be guaranteed by your clinic entity (corporate guarantee) or through a personal guarantee. For larger groups with multiple locations, a corporate-level guarantee can substantially increase the property's attractiveness to investors.

Integrating Sale-Leasebacks into Your Overall Strategy

A sale-leaseback perfectly ties together the themes we've explored throughout this series. It requires you to strategically time your sale, taking action when interest rates are favorable and investor demand is strong. It pushes you to focus on value creation by optimizing your lease terms to enhance your property's value. Finally, it directly appeals to specific types of buyers—institutions and private investors seeking stable, passive, long-term investments.

For many medical professionals, your real estate represents the work of a lifetime. Unlocking its value shouldn't mean sacrificing the business you've built. A sale-leaseback offers a strategic path forward—allowing you to reap the financial rewards of your property while continuing to serve your community.

Determining whether a sale-leaseback is the right strategy for you requires careful analysis and expert guidance. A specialized team can help medical property owners design a sale-leaseback solution tailored to their needs, ensuring informed, confident decisions at every step of the process.

Thank you for reading our guide to successful healthcare property sales. We encourage you to revisit key sections—from strategic timing to maximizing value—so you have a complete perspective as you plan your next steps.

Stay connected with Greysteel for ongoing insights and future resources to help maximize your property's potential.



Partner with Greysteel to empower the full potential of your healthcare real estate investments

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