

# Does It Still Make Sense for Doctors to Own Medical Office Buildings?

## How Physicians Can Invest in MOB Real Estate

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### Introduction

With fees declining and future reimbursement rates in doubt, many physicians are exploring alternative sources of income. If they can do that through familiar, relatively safe investments, so much the better. Fortunately, many physicians need look no further than their own medical office buildings.

The reasons for physicians to consider ownership of medical office buildings are more compelling today than they have been for several years. Medical office buildings deliver both stability and consistent returns, unlike most investments in today's market. Recently, even large institutional investors have come to recognize the desirability of these properties, as evidenced by the growing number of medical office buildings in their portfolios.



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### Pros and Cons of Medical Outpatient Real Estate

Every investment has risks and rewards. Real estate has the benefit of leverage—investing only a portion of the property cost and borrowing the remainder (today, lenders require about 30 percent cash). Medical real estate, if properly located and structured, has an additional advantage. As part of an economic environment with the proximity of inpatient, outpatient, diagnostic and other ancillary services, a synergy is created that enhances the value of what would otherwise have been a stand-alone investment.

Some of the advantages of medical office building ownership are:

- Leveraged ownership with third-party real estate lenders
- Appreciation in value and gradual retirement of debt
- Relatively secure tenancy over time
- Ability to achieve full occupancy in a relatively short period of time
- Mid-teen cash-on-cash return
- Commonality of purpose and business strategy with developers, physician owners and hospital
- Cash flow partially sheltered by depreciation during the early years
- If the ownership or partial ownership in the building is held by a medical practice, it can be used as an effective recruiting tool
- Refinancing and/or buy-in by new physicians can create liquidity for retiring physicians

SBA financing covers 90% of purchase price

