



EXPERT ADVICE

The number of sale and leaseback transactions involving primary care premises has increased over recent years and is currently at an exponential rate of growth. LISA GEARY, partner at Capsticks real estate team breaks down why this is the case and what options are open to GP owners thinking of a new way forward for their practice.



WHY HAS THE RATE OF SALE AND LEASEBACK TRANSACTIONS RECENTLY INCREASED?

The reasons are multi-fold, including:

- an increased appetite amongst private investors who see this as an attractive sector
- retired or retiring GP owners wishing to find avenues to release capital;
- pressures on finding recruits to general practice and an increased reluctance in new GPs to contribute capital to practice premises or to take on mortgage liabilities;
- an option for funding premises improvement and handing over maintenance obligations and costs.

IS IT A VIABLE OPTION FOR YOUR PRACTICE?

There are key areas to consider when looking at whether sale and leaseback transactions are a viable option in practice. These include questions about legal title and ownership, the condition of your property, the value and marketability of your property, any partnership agreement provisions relating to sale and the sharing of equity and how to ensure NHSE consent is obtained, where required, and how best to protect premises cost reimbursement. The following are just a few questions you may need to contemplate:

- Is there a market for the purchase of your asset and what valuation advice do you need for price or rent?
- Is your property title in order and are you up to date with all compliance requirements?

- How are your premises costs currently reimbursed by NHSE? How will these change under a sale and leaseback and what are the cost implications?
- How is the property currently owned? Can any owning partners not wishing to sell be required to do so by other co-owners?
- Is the property subject to a mortgage? Are there any penalties for an early release and is there sufficient equity to pay?
- Do you have a robust partnership agreement setting out how the equity shares are to be divided on a sale and how disputes are to be resolved?
- How do you go about obtaining NHSE consent to the sale and leaseback and what lease terms tend to be acceptable to NHSE?
- What is the starting point for lease terms for most institutional investors and what are the options relating to repair, service charge, insurance and changes in partnership?
- How should rent review be dealt with in the lease to tie in with NHSE reimbursement and what are the limits and market norms?
- What are the tax implications and how can these be mitigated?
- What happens if there are other occupiers in the building e.g. a pharmacy or service providers?

DO I NEED ADVICE?

A potential minefield but, if the journey is steered with expert advice, a successful outcome can be achieved that can make a huge difference to your practice and its assets. Amongst the benefits often recited are operating costs reductions, release of capital for retired and non-retired partners, easier succession planning by the removal of any need to buy-in to capital as a barrier to recruitment and a framework to facilitate mergers and other intra-practice working. ■

Capsticks is advising a number of GP practices on sale and leaseback transactions. They have a clear understanding of what is required at every stage, and how best to achieve this.

For more information please visit

www.capsticks.com/gps or contact Lisa Geary.

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