

# Is The Timing Right To Sell Healthcare Properties?

FEBRUARY 12, 2018 BY [LISA BROWN](#)

Investors and lenders have become focused on healthcare properties due to the stability and credit-worthy tenants with high tenant retention rates, says Colliers' Beth Young in this **EXCLUSIVE**.



*Young says cap rates are low, which converts to higher prices for medical office properties.*

HOUSTON—Investor interest in healthcare facilities is at an all-time high, according to Beth Young, SVP, Colliers International. Young specializes in healthcare, medical office and medical/retail properties. In this **exclusive**, she recently discussed how to determine the best time to sell, what is driving demand, pricing and inventory, and how multi-partnerships can structure transactions.

**GlobeSt.com: What advice can you give healthcare owners who are thinking about selling?**

**Young:** When owners of healthcare properties tell me they are thinking about selling, the first thing they want to know is if the time is right to sell in order to achieve the

highest price for their building. If you are thinking you may want to sell your property sometime in the next 10 years, this could be the best time. Cap rates are low, which converts to higher prices. Lower interest rates mean lower payments on financed properties for buyers.

**GlobeSt.com: What is causing the current demand?**

**Young:** The medical office sector has seen strong demand due to demographic drivers (like Baby Boomers needing more medical care) that have heightened consumer demand for medical properties. Investors and lenders have become focused on healthcare properties because they see them as investments with more stable and creditable tenants. Investors have also learned that the medical office sector features high tenant retention rates because many tenants invest significant capital in their spaces. Physicians prefer to remain in the same location for longer terms than most office tenants because of (1) the risk of losing nearby patients who visit their office, and (2) the high cost to relocate and make significant improvements at a new location.

**GlobeSt.com: What are you seeing in terms of inventory and pricing?**

**Young:** With cap rates at historic lows, sellers of quality medical properties are seeing aggressive offer prices. Inventory of available healthcare property is low, particularly for better located high-occupancy facilities. A property is in the best position to sell when it has these four factors going for it: (1) a good location with a good story, (2) high occupancy with a mix of strong-credit healthcare tenants, (3) a longer amount of term left on tenants' leases (more than five years is preferable), and (4) newer rather than older construction, or a renovation to the building completed within the last few years. As a property ages or leases' terms start to shorten, higher caps rates will apply to the value of the property, meaning lower offer prices.

**GlobeSt.com: What options do multi-partnerships have when selling?**

**Young:** Some owner entities have one or more partners who want to sell their share, while others want to keep their ownership. An option is to recapitalize the real estate. Perhaps look at different percentages of ownership so that you continue to be an owner, while also receiving cash for selling a portion of the ownership to a healthcare real estate investor. Other owners may decide to monetize the real estate for reasons

including (1) putting cash back into the operation of the business, (2) hiring personnel, (3) updating equipment, (4) renovating areas, or even (5) investing in other opportunities. Sometimes it's simply to change the ownership percentages in the partnership. When considering selling one of these properties, contact a healthcare investment property specialist and get a proposal to learn the market price range for your real estate. Knowing if the market and your expectations are aligned is a good place to start.