



What is involved in a sale and leaseback transaction?

What should your practice expect if it is considering a 'sale and leaseback' of the practice premises? Paul Conlan of GP Surveyors explains the process, plus a case study shows how this worked for one surgery.

The sale and leaseback of a GP surgery premises is increasingly becoming an option of choice for many GP partnerships. However, this option is dependent on individual circumstances and the succession plan of the owning GP partners.

The decision to sell and leaseback should not be taken lightly. If the property owners proceed and sell, they will be giving up their main financial asset in the practice (bricks and mortar).

Sale and Leaseback

From the outset, it is critical that the practice appoints specialist advisers to help guide through the process, these include:

- Property surveyors
- Legal (solicitors)
- Medical accountants
- Tax advisers

What is sale and leaseback?

In a sale and leaseback transaction, the freehold of the GP premises is sold to an investor and a lease is granted back to the practice partners for them to continue occupying the building and providing medical services.

Dependent on the age profiles and retirement plans of the continuing GPs, some may be reluctant to sign a lease for say 20 or 25 years. This should be considered carefully and expert advice should be sought on the proposed terms of lease and obligations before signature.

T: 0114 281 5850

info@gpsurveyors.co.uk
www.gpsurveyors.co.uk

 [@GP_Surveyors](https://twitter.com/GP_Surveyors)

A step-by-step guide to the process

During a sale and leaseback the following should happen, usually in this order:

- Ensure you seek independent advice in the first instance.
 - Appoint the right team of experts to support and provide you with advice.
 - Understand if your property has any mortgage redemption penalties/restrictions on the lease.
 - Undertake a market valuation to understand the value of the building and obtain advice on the lease terms based on proposals from potential investors and review what suits the GPs.
 - Explore and consider all tax and financial implications of a sale and leaseback transaction.
 - Agree responsibilities and obligations (i.e. repair and maintenance of the property). Discuss and agree lease terms.
 - Instruct legal representation to prepare transaction documents.
 - Draw up heads of terms which will need to be approved by the local area team and acceptable to the proposed investor.
- Ensure the notional rent reimbursement into the practice is the same as the lease payment (revenue neutral). Gain initial approval from NHS England and put the lease in place.
- Your surveyor should market the premises to attract investors within the primary care sector.
 - Negotiate and agree purchase price.
 - Present final documents to the area team for approval and confirm that the rent reimbursement will be paid to the practice.
 - Complete the sale of the GP premises.
 - Review and amend your partnership agreement. The agreement should be updated if necessary.

Case Study

We were a semi-rural practice based with a practice population of around 9,300. At present there are three partners, two salaried doctors, two nurse practitioners, three practice nurses and a healthcare assistant, along with admin and reception staff.

Myself and another partner were the only partners who owned the building. New partners had shown no interest in becoming property owners. I retired from the practice and wanted to sever any involvement with the ownership.

A term of our mortgage was that a minimum of two partners had to take on the loan and, because none of the other doctors wanted to take on joint ownership of the building, the only solution was to sell the building under the sale and leaseback scheme.

We contacted GP Surveyors who explained the whole process to us and we decided to go ahead.

The whole process took a very long time before we were in a position to advertise the property. Negotiations with NHS England were particularly difficult right to the very end and we definitely needed the support of expert advisers to help us through that challenging time.

Once a brochure had been produced and the property had been advertised, we had a good response from several interested parties and eventually achieved the asking price for our surgery.

If you have any queries relating to sale and leaseback transactions or any other issues relating to GP surgery premises, please contact us.

T: 0114 281 5850

info@gpsurveyors.co.uk

www.gpsurveyors.co.uk

 [@GP_Surveyors](https://twitter.com/GP_Surveyors)