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Selling Your Medical Practice and Real Estate

What owners need to know, considering both sides of the coin.

Why coordinated M&A and real estate advisory protects the full value of a practice sale.

IN THIS PAPER

EXECUTIVE SUMMARY

Two valuable assets, connected by a single lease

Physicians who own both their practice and the real estate hold two valuable, separately marketable assets. Today both are in high demand: private equity and strategic buyers are competing for physician practices, and institutional real estate investors are competing just as hard for the MOB and ASC real estate. While it may seem logical to pursue the two transactions separately, doing so could significantly impact overall value.

The practice (the "OpCo") and the building (the "PropCo") are connected by a single document, the lease agreement, and the rent set in that lease moves value between the OpCo and PropCo. The rent established in that lease effectively shifts value between the two entities. For OpCo, rent is an expense that reduces earnings. For PropCo, rent is recurring income that supports the building's value. Setting rent without considering both sides can increase the apparent value of one asset while unintentionally reducing the value of the other. OpCo is generally valued as a multiple of EBITDA, while PropCo is valued by applying a capitalization, or "cap," rate to Net Operating Income ("NOI"), which is largely driven by annual rent. Because the physician is a related party to both entities, the rent must also fall within a defensible Fair Market Value ("FMV") range, typically established through comparable market data. The objective, therefore, is to evaluate the applicable EBITDA multiples, cap rates, and FMV rent range together to determine the rent level that maximizes the combined value of both OpCo and PropCo.

Owners are more likely to achieve the strongest overall outcome when the practice and real estate are evaluated through a coordinated strategy, even if only one asset is currently being considered for sale. Lease terms should be structured to preserve value, maintain flexibility, and support a future OpCo or PropCo transaction. Engaging experienced real estate professionals and healthcare advisors or investment bankers who understand the relationship between the two assets is therefore critical to positioning both for the most favorable result.

This paper explains how the two assets are connected, illustrates the financial impact, compares sequencing options, and outlines the advisory team needed to protect the value of the entire package.

SECTION 01

Two Markets, One Decision

For physicians who own both assets, the current timing may be particularly attractive for evaluating a transaction.

$191B	~18%	$14B+	6.9%
2025 healthcare private-equity deal value	YoY growth in physician-group deal count	2025 medical real-estate investment volume	Avg. medical-office cap rate, Q1 2026

A strong market for physician practices

Healthcare private equity delivered a near-record 2025, with disclosed deal value of roughly $191 billion across an estimated 445 buyouts, the second-highest annual total on record, behind only 2021.[1] The physician medical group subsector remains one of the most active corners of the healthcare M&A market: its share of health-services deal activity expanded through 2025, deal count grew roughly 18% year-over-year, and the subsector generated nearly three times the transactions of the next-largest healthcare services subsector.[2]

The demand drivers are structural. U.S. health spending reached about $5.3 trillion in 2024 (roughly 18% of GDP) and is projected to climb past 20% of GDP by 2033.[3] The population continues to age, Americans 65 and older are projected to grow about 34% by 2036, while the Association of American Medical Colleges (AAMC) projects a shortage of up to 86,000 physicians over the same horizon.[4] Necessity of care plus a supply-demand imbalance keeps buyers engaged.

Consolidation is occurring across nearly all physician specialties, including dental, dermatology, ophthalmology, cardiology, gastroenterology, urology, orthopedics, women's health, and ENT. Practices affiliated with ambulatory surgery centers, behavioral health, and home infusion are also drawing significant investor interest.

The universe of potential OpCo buyers is also expanding, with major drug distributors increasingly pursuing partnerships and acquisitions involving physician practices. For example, Cencora acquired Retina Consultants of America ("RCA") for $4.6 billion in January 2025 and completed its $4.6 billion acquisition of the oncology platform OneOncology from TPG in February 2026. As part of its growth strategy, RCA later acquired EyeSouth's retina business for $1.1 billion in early 2026. Other notable transactions include McKesson's approximately $850 million acquisition of eye-care platform PRISM Vision Holdings in April 2025, as well as Cardinal Health's acquisitions of GI Alliance for $2.8 billion in November 2024

and Integrated Oncology Network for $1.15 billion in December 2024. Optum, the health insurance payer affiliated with SCA Health, has continued to show interest in acquiring physician practices, including orthopedic groups.[5]

This heightened level of activity reflects a steadily broadening buyer universe and gives physician-practice sellers alternatives beyond traditional private equity-backed platforms.

An equally strong market for healthcare real estate

Medical office buildings and ASCs are among the most defensive assets in commercial real estate, and capital has poured back in. Investment volume surpassed $14 billion in 2025, up roughly 34% year-over-year,[6] and momentum accelerated into 2026: first-quarter volume rose 78% year-over-year.[7] Pricing strengthened in step, the average medical-office cap rate fell to about 6.9% in Q1 2026, its first reading below 7.0% since late 2024, with institutional-quality assets pricing closer to the low-6% range.[7]

Fundamentals support the demand. Average asking rents reached record levels, occupancy held near 92–93%, the sector posted multiple consecutive quarters of positive absorption, and medical-office sale prices ran well above traditional office. Investors value the combination of credit-worthy tenants, long lease terms (commonly 7–10+ years), and built-in rent escalations that hedge inflation; all supporting the recession-resistant nature of healthcare providers as added security.[7,8]

SECTION 02

How the Lease Links Practice and Real Estate Value

Practice owners considering the sale of the operating business, the real estate, or both should evaluate the assets as part of a coordinated strategy. Even when only the OpCo or PropCo is being considered for sale, coordination remains essential to preserving flexibility and maximizing value. Because these transactions often represent a one-time opportunity, the structure should maximize the combined value of the OpCo and PropCo while preserving strong buyer interest in each. This includes negotiating lease terms that strike an appropriate balance: a lease that is overly tenant-friendly may reduce the attractiveness of the PropCo, while one that is overly landlord-friendly may weaken interest in the OpCo. Valuation, however, should not be the sole consideration. Cultural alignment is also essential, particularly when selecting a buyer for the OpCo.

Two assets, two valuation languages. A practice is valued on a multiple of EBITDA (its earnings). Anything that lowers EBITDA lowers the practice's value by that multiple. A building is valued by capitalizing its net operating income, essentially its annual rent, at a cap rate (the inverse of EBITDA multiples); the lower the cap rate, the higher the value. At

a 6.5% capitalization rate, each $1 of sustainable annual rent translates to approximately $15 of building value (1/.065 = 15.0x), reflecting an implied valuation multiple of roughly 15 times rent.

Rent is the same dollar on both sides. Rent is an expense to the practice and income to the building. Every dollar of rent reduces practice EBITDA and increases building NOI at the same time. Because the two assets are valued on different multiples, where you "park" that dollar changes the total.

> *"Every dollar of rent reduces practice EBITDA and increases building NOI at the same time."*

The tension. Physician-owned rental rates must fall within FMV for Stark/Anti-Kickback purposes. That said, FMV is often a range based on market comparables, set rent at the low end of FMV and the practice's earnings look higher while the building's income, and value, looks lower. Set rent on the high end of FMV and the reverse is true. It is tempting to push rent toward whichever asset you expect to sell for the richer multiple.

It is essential to rely on experienced advisors to evaluate transaction multiples, capitalization rates, and the fair market value range for rent, with the goal of maximizing value across both assets.

SECTION 03

A Real-World Example

Illustrative only, actual figures vary by specialty, market, and deal.

Investors typically value a medical practice by applying a multiple to its EBITDA, while the real estate occupied by the practice is valued by capitalizing its rental income at an appropriate cap rate. These are two different multiples, and they are rarely equal. In today's market, well-located healthcare real estate with strong lease terms and credit often trades at a cap rate of 6.5% or higher, which is the equivalent of roughly 15.4x EBITDA multiple. Physician practices, depending on specialty and scale, might trade at high single digits or low double digit EBITDA multiples. That gap creates an opportunity most physician owners never consider.

Here is why rent matters: every additional dollar of rent reduces the practice's EBITDA by one dollar while increasing the property's NOI by the same amount. As a result, the rent level shifts value directly between OpCo and PropCo. If PropCo is valued at 15.4 times EBITDA (inverse of a 6.5% cap rate) and OpCo is valued at an implied multiple of 8 to 12 times NOI, setting rent at the higher end of the fair-market range generally preserves more value in the

higher-multiple PropCo. Conversely, decreasing rent transfers value to OpCo. Therefore, the optimal rent should be established within the defensible fair-market range only after evaluating the relative OpCo multiple and PropCo capitalization rate. This coordinated analysis helps determine the rent level that maximizes the combined proceeds and achieves arbitrage.

Consider a single-location specialty practice occupying a 10,000-square-foot building it owns. Assume fair market rent for the building ranges from $20 to $30 per square foot, all operating expenses are reimbursed by the tenant (so NOI equals rent), the practice trades at 8.0x EBITDA, and the real estate trades at a 6.5% cap rate. At $20 PSF rent, the practice generates $3.0 million of EBITDA. The only variable we change between the two scenarios is where rent is set within the fair market range.

Scenario	Low Fair-Market Rent	High Fair-Market Rent
Annual rent (per sq. ft.)	$200,000 · $20 PSF	$300,000 · $30 PSF
Practice EBITDA	$3,000,000	$2,900,000
OpCo value @ 8.0x EBITDA	$24,000,000	$23,200,000
PropCo NOI	$200,000	$300,000
PropCo value @ 6.5% cap rate	$3,077,000	$4,615,000
Combined (nominal)	**$27,077,000**	**$27,815,000**
Net benefit	—	**+$738,000**

**Illustrative only. Actual figures vary by specialty, market, and deal.*

THE PUNCHLINE

The $100,000 of additional rent cost the practice $800,000 of OpCo value (at 8.0x) but added roughly $1,538,000 of PropCo value (at a 6.5% cap rate). The owner comes out ahead by approximately $738,000, simply by setting rent at the top of the fair market value range rather than the bottom. The larger the spread between your real estate multiple and your practice multiple, the bigger the benefit becomes. The key constraint is that rent must remain defensible at FMV: rent set above market invites lender pushback, appraisal issues, etc.

SECTION 04

Building the Advisory Team

The decision to sell is rarely about a single skill. It is a coordinated effort across several specialists, and the value comes as much from how they work together as from what each does alone.

The core: M&A advisor and real estate advisor

The M&A Advisor

Selecting the right healthcare investment banker or advisor is critical when evaluating a transaction involving a physician group or medical practice. PGP brings specialized experience advising healthcare organizations in transactions with private equity firms and strategic buyers. Beyond helping maximize the value of the practice, PGP educates owners on the available transaction structures, evaluates the strengths and tradeoffs of each option, and guides the organization through the process. This experience allows owners to make an informed decision and select the partner that best aligns with their financial objectives, culture, and long-term vision.

The Real Estate Advisor

A specialized commercial real estate advisor brings expertise in valuing, marketing, structuring, and negotiating transactions involving medical real estate. This includes the sale of a property, the development of an appropriate lease structure, and the negotiation of terms that protect both current value and future marketability. The level of expertise among real estate advisors can vary significantly, from individual brokers with limited healthcare experience to national firms with dedicated medical real estate professionals. Matthews Real Estate Investment Services provides specialized healthcare real estate expertise and can work alongside the physician's M&A advisor to evaluate the property, structure market-based lease terms, generate investor interest, and help maximize the value of the physician-owned real estate.

The coordination dividend

The reason these advisors must work together is that the most important decisions often sit at the intersection of their responsibilities.

The rent established in the lease by the real estate advisor directly affects the practice's EBITDA and, therefore, the value assessed by the M&A advisor. If rent is set without considering applicable valuation multiples and capitalization rates, significant value may be

left on the table.

Similarly, the lease terms required by the practice buyer become key drivers of the real estate's value. If those terms are negotiated by the M&A advisor and legal counsel without input from the real estate advisor, the property's future value and marketability may be constrained before it is ever offered for sale.

Transaction sequencing also requires input from the entire advisory team because it can materially affect taxes, valuation, and the marketability of both assets. Selecting a path without evaluating all three dimensions may prove more costly than any individual negotiation point.

> *"When the advisors work together, the owner is better positioned to maximize the value of the entire package."*

When they operate separately, with the banker focused only on the practice and the real estate advisor unaware of the operating transaction terms, value can be lost between the two processes. Effective coordination is therefore essential to achieving the strongest overall outcome.

GET IN TOUCH

Let's evaluate the whole package, together

If you own both your practice and the real estate it occupies and are considering a transaction, we can help you evaluate the whole package, together. Reach out to start a confidential conversation.

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Figures reflect the most recent data available as of publication and include certain estimates; some sources are periodically updated by the publisher.