



Article appeared in the 07/11/2008
edition of GP Magazine



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Valuing Premises

Surgery Value Fall

Question:

I am due to buy our surgery premises from my retired partner but due to the unprecedented financial situation I am told that its value has dropped by 20 per cent. A further fall of possibly 15 per cent is expected next year. The surgery was valued at £400,000 in April 2008. Can you advise?

Answer:

I regret that with any form of property investment one must take the ups with the downs. The alternative to buying the surgery is to leave the freehold interest in the premises with the retired partner and then rent it from him or her under the terms of a lease. The rent should be set to equate to the notional rent reimbursement received.

This, of course, assumes that the retiring partner is happy to do this, and that it is allowed for in your partnership agreement.

However it might be worth examining whether the April and forecast valuations are trustworthy.

With medical property, it is important to employ a specialist surveyor to undertake the valuation. For example, the level of falls in value that you cite would really relate only to a converted residential property and where the bulk of the value relates to its alternate use as a home.

The alternate use, if residential, is currently falling and likely to continue to do so. The same could apply to converted commercial premises but if you are in a modern purpose built health centre with a good future life expectancy, then there is no automatic reason why the value should fall.