

Town Doc, Inc.

Supporting Independent Medical Practices

Real Estate & Facilities

A Comprehensive Guide for Independent Medical Practices

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A Comprehensive Guide for Physicians Starting Their Own Practice

Introduction

Choosing the right location and facility is one of the most critical decisions physicians face when launching an independent practice. Unlike joining an established group or hospital system, independent practitioners must navigate complex real estate decisions that will impact their practice's success for years to come. From analyzing demographics and competition to negotiating lease terms and managing build-out costs, facility planning requires careful consideration of both immediate needs and long-term growth potential.

This guide provides actionable insights on location selection, space planning, lease negotiation, and facility development to help you make informed decisions that position your practice for sustainable success. Whether you're a primary care physician opening your first office or a specialist expanding into a new market, understanding these fundamentals will help you avoid costly mistakes and create a patient-centered facility that supports your clinical and business goals.

Section 1: Strategic Location Analysis

Understanding Your Market Demographics

The most important factor in determining a location for your practice is demographics. You need to locate in an area with a high concentration of the patients you want to serve—whether that's young families, elderly patients requiring chronic disease management, or working professionals seeking convenient primary care. Start by analyzing population density, age distribution, household income levels, and insurance coverage patterns in your target area. Pay particular attention to population growth trends; health care economic analysts predict significant growth in the South and Mountain West regions through 2029, while some markets may experience population decline.

Beyond basic demographics, examine the local employment outlook, housing market trends, and cost of living indicators. A growing employment base typically means more commercially insured patients, while areas with increasing home values often signal an influx of higher-income residents. Consider the insurance payer landscape carefully—are major plans accepting new providers, or are panels closed? Understanding these dynamics helps you project patient volume and revenue potential more accurately. Remember that the "retailization" of healthcare means patients increasingly prefer locations near pharmacies, grocery stores, and restaurants, making mixed-use developments and retail corridors increasingly attractive for medical practices.

Competitive Analysis and Market Positioning

Once you understand the demographic landscape, conduct a thorough competitive analysis. Identify existing practices in your specialty within a 3-5 mile radius and assess their capacity, reputation, and patient satisfaction. Competition isn't necessarily negative—a concentration of medical facilities can signal a proven market—but you need to identify your competitive advantage. Are you offering extended hours, specific subspecialty services, or a concierge model that differentiates your practice? Understanding gaps in local healthcare delivery helps you position your practice strategically.

Evaluate proximity to hospitals, laboratories, imaging centers, and other healthcare facilities that support your practice model. Being near a hospital can provide referral opportunities and convenience for patients requiring ancillary services, but also increases competition from hospital-employed physicians. Consider accessibility from major

roadways, public transportation options, and whether your location is easy to find for first-time patients. Visibility from main roads and proximity to established medical campuses can significantly impact patient acquisition, particularly in competitive markets where location convenience often determines patient choice.

Section 2: Space Planning and Facility Requirements

Calculating Your Square Footage Needs

General planning guidelines suggest 1,500 square feet per medical provider, though actual needs vary by specialty and practice model. For a solo physician starting out, plan for 1,200 to 1,500 square feet minimum, expanding by 1,000 to 1,200 square feet for each additional provider. This square footage must accommodate exam rooms, waiting areas, administrative space, storage, and staff work areas. Most practices require 3,000 to 8,000 square feet total, depending on the number of providers and support staff.

Exam rooms should be no smaller than 10 feet by 10 feet (100 square feet), though 120 square feet is the current standard to comfortably accommodate an exam table, chair, computer workstation, and necessary medical equipment. If you plan to chart inside exam rooms rather than at a separate workstation, consider 130 square feet per room. Primary care practices typically need 3-4 exam rooms per physician to maintain efficient patient flow, while specialists may require more or fewer rooms depending on appointment length and procedures performed. Don't forget to allocate approximately 250 square feet for administrative offices and 20-30 square feet per person in your waiting area, depending on seating style.

Essential Facility Components and Layout

Beyond exam rooms, your facility must include a reception area with check-in and check-out capabilities, a secure records storage area (even with electronic health records, you'll need physical document storage), a staff break room, and appropriate restrooms for patients and staff. Many practices also require a procedure room, laboratory space, medication storage with proper security, and a consultation room for private patient

discussions. Consider workflow efficiency when planning your layout—patient flow should move logically from reception to exam rooms to checkout, while staff should have easy access to support areas without crossing patient pathways repeatedly.

Accessibility compliance is non-negotiable. Your facility must meet all ADA requirements, including accessible parking spaces, ramps or elevator access, wide hallways (minimum 36 inches, preferably 42-48 inches for wheelchair navigation), accessible restrooms, and appropriate door hardware. Medical facilities must provide at least 10% of patient and visitor parking spaces as accessible spots, though outpatient physical therapy and rehabilitation facilities require 20%. Plan for 4-5 parking spaces per 1,000 square feet of medical office space—significantly higher than standard commercial properties due to patient visit patterns and turnover rates. Insufficient parking is one of the most common patient complaints and can limit your practice growth even in an ideal location.

Section 3: Lease vs. Purchase Decision Framework

When Leasing Makes Strategic Sense

For most physicians starting an independent practice, leasing offers significant advantages. Financial studies show that leasing is more cost-effective in the short term, preserving capital that can be invested in equipment, technology, staffing, and marketing to grow your patient base. Without the upfront capital required for a property purchase (typically 20-30% down payment), you maintain financial flexibility for unexpected expenses and growth opportunities. Leasing also provides the ability to test a market—if demographics shift or competition increases, you can relocate when your lease expires without the burden of selling property.

Leasing provides predictable monthly costs throughout your lease term, simplifying financial planning and avoiding surprise capital expenses like roof replacement or HVAC system failure. This predictability is particularly valuable in the early years of practice when revenue may be inconsistent as you build your patient base. Leasing also allows you to focus on practicing medicine rather than property management, as maintenance and

repairs typically fall to the landlord. For physicians early in their careers or those unsure about long-term commitment to a specific location, leasing minimizes risk while providing high-quality space.

When Purchasing Creates Long-Term Value

Purchasing medical office space becomes attractive for established physicians with at least 10-15 years of active practice remaining and stable patient volume. Ownership builds equity independently from your medical practice—even if healthcare reimbursement declines, your real estate investment can appreciate. Owning your building provides complete control over renovations, expansions, and space utilization without landlord approval. You can also generate additional income by renting excess space to other healthcare providers, creating a diversified revenue stream.

Tax advantages of ownership can be substantial. On the real estate side, you can deduct mortgage interest and depreciation, while on the business side, rent paid to your property entity is a deductible business expense. However, ownership requires significant upfront capital and ongoing responsibility for all maintenance, repairs, and property management. You bear the risk of market fluctuations and may have difficulty selling if you need to relocate. The decision should be based on careful financial analysis comparing total operating costs, tax implications, career timelines, and current market conditions—this is a business decision, not an emotional one. Consult with financial advisors who understand both real estate investment and medical practice economics before committing.

Section 4: Build-Out Planning and Cost Management

Understanding Build-Out Costs and Scope

Medical office build-out costs vary dramatically based on space condition, specialty requirements, and finishes, ranging from less than \$50 per square foot for basic refreshes to over \$300 per square foot for complex specialty renovations. The national average for medical office build-outs falls between \$150-\$300 per square foot, with recent data

showing costs as high as \$355 per square foot including hard costs, soft costs, clinical equipment, and specialty requirements. These costs have increased approximately 33% over the past five years, making accurate budgeting critical.

Major cost components include plumbing and electrical work (\$20-\$50 per square foot), HVAC installation (\$10-\$20 per square foot), medical-grade flooring (\$8-\$15+ per square foot), and specialty ceilings for acoustics and infection control (\$5-\$10+ per square foot). Technology infrastructure represents another significant expense, with electronic medical record implementation costing \$5,000-\$20,000 and network installation adding \$2,000-\$10,000 or more. Don't underestimate soft costs including architectural and engineering fees, permits, insurance during construction, and temporary space rental if you can't remain in your current location during build-out.

Negotiating Tenant Improvement Allowances

If leasing, negotiate a tenant improvement (TI) allowance as part of your lease agreement. TI allowances typically range from \$20-\$100+ per square foot depending on market conditions, lease length, and landlord motivation. In a turnkey build-out arrangement, the landlord manages all construction to deliver move-in-ready space, simplifying the process but potentially limiting your control over finishes and layout. In a TI build-out, you oversee the project but receive a dollar allowance from the landlord to offset construction costs, providing more control but requiring more involvement.

To maximize your TI allowance, demonstrate commitment with a longer lease term (7-10 years rather than 3-5 years), provide detailed build-out plans showing you're a serious tenant, and negotiate during slower leasing periods when landlords are more motivated to fill vacancies. Consider whether you'll accept a space "as-is" with a higher TI allowance or a partially improved space with a lower allowance. Be strategic about what you fund versus what the landlord funds—try to have the landlord cover permanent improvements like HVAC, plumbing, and electrical, while you pay for specialty medical equipment and technology that you'll take if you relocate. Always get multiple bids from qualified medical construction contractors to ensure you're getting competitive pricing and realistic timelines.

Reducing Build-Out Costs Strategically

Several strategies can significantly reduce build-out expenses without compromising quality. First, consider occupying second-generation medical space previously used by another healthcare provider—existing plumbing, medical gas lines, and HVAC zoning can save tens of thousands of dollars. Work with an architect experienced in medical facilities who understands code requirements and can design efficiently, avoiding costly mistakes and change orders during construction. Plan your layout to minimize plumbing runs by clustering exam rooms, restrooms, and any lab space.

Choose durable, commercial-grade finishes that balance cost and longevity rather than high-end residential finishes that won't withstand medical office traffic. Consider phasing your build-out—complete only the space needed for initial operations and expand later as revenue grows, though ensure your lease allows this flexibility. Get competitive bids from at least three contractors familiar with medical construction, and don't automatically choose the lowest bid without verifying references and understanding what's included. Finally, maintain a contingency fund of at least 10-15% of your total build-out budget for unforeseen issues—older buildings especially often reveal problems like asbestos, outdated electrical, or structural issues that must be addressed during construction.

Section 5: Zoning, Compliance, and Regulatory Considerations

Understanding Zoning Requirements for Medical Use

Medical practices must comply with local zoning laws and land use regulations, which vary significantly by municipality. Medical offices typically fall under commercial or professional office zoning classifications, but specific requirements depend on the services provided. A general practitioner's office may be permitted in a standard commercial zone, while a surgical center, imaging facility, or practice with laboratory services might require special medical or institutional zoning. Before signing a lease or purchase agreement, verify that your intended use is permitted in that zoning district—this is non-negotiable and cannot be overlooked.

If your preferred location isn't zoned for medical use, you may be able to obtain a conditional use permit or variance, but this process can take months and success isn't guaranteed. Consider how your practice operations affect zoning compliance: facilities with quick patient turnover (such as eye surgery centers, urgent care clinics, or high-volume primary care practices) generate considerable traffic and require extensive parking, which may push you toward commercial business zones with appropriate infrastructure. Some municipalities have specific regulations for medical waste disposal, signage for medical facilities, and hours of operation that may restrict evening or weekend hours. Engage a local real estate attorney or experienced commercial broker to navigate these requirements before committing to a location.

Ensuring Full Accessibility and Building Code Compliance

All medical facilities must be fully accessible to individuals with disabilities under the Americans with Disabilities Act (ADA), which is rigorously enforced and carries significant penalties for non-compliance. This includes accessible parking spaces (10% minimum for most medical facilities, 20% for outpatient physical therapy and rehabilitation), barrier-free entrance with ramps or elevators as needed, doorways with minimum 32-inch clear width, hallways at least 36 inches wide (preferably 42-48 inches for comfortable wheelchair navigation), accessible restrooms with proper grab bars and clearances, and accessible examination rooms with appropriate transfer space and equipment.

Beyond ADA compliance, medical facilities must meet specific building codes for healthcare occupancies, including fire safety requirements, emergency egress routes, specialty HVAC systems with appropriate air changes and filtration for infection control, and electrical systems capable of supporting medical equipment loads. If you provide any procedural services, additional requirements apply for medical gas systems, emergency power, specialized lighting, and infection control surfaces. Work with architects and contractors experienced in medical facility design who understand these requirements—retrofitting for compliance after construction is exponentially more expensive than designing correctly from the start. Most jurisdictions require multiple inspections throughout construction and a final certificate of occupancy before you can see patients, so factor these timelines into your opening schedule.

Practical Checklist: Facility Planning Essentials

Use this checklist when evaluating potential locations and planning your medical facility. Discuss each item with Town Doc advisors to ensure you've addressed critical facility planning components:



Demographics Analysis: Have you analyzed population density, age distribution, income levels, insurance coverage, and growth trends for your target market?



Competition Assessment: Have you identified competing practices within 3-5 miles and determined your competitive differentiation and market positioning?



Space Requirements: Have you calculated total square footage needs based on provider count, exam room quantity (typically 3-4 per physician), and support space requirements?



Accessibility and Parking: Does the location provide 4-5 parking spaces per 1,000 square feet with required accessible spaces, and is the facility ADA compliant?



Lease vs. Purchase Analysis: Have you compared total costs, tax implications, timeline commitments, and strategic flexibility for leasing versus purchasing?



Build-Out Budget: Have you obtained detailed cost estimates (\$150-\$300+ per square foot for medical build-out) and negotiated tenant improvement allowances?



Zoning Verification: Have you confirmed the property is zoned for medical use and all planned services are permitted without requiring variances?

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Technology Infrastructure: Have you budgeted for EMR implementation (\$5,000-\$20,000), network infrastructure (\$2,000-\$10,000+), and medical equipment specific to your specialty?

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Proximity to Healthcare Ecosystem: Is the location convenient to hospitals, laboratories, imaging centers, and pharmacies that support your practice model?

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Growth Capacity: Does the facility provide room for expansion, or does the lease allow you to add adjacent space as your practice grows?

Conclusion: Building Your Practice Foundation

Your facility is more than just physical space—it's the foundation of your patient experience, operational efficiency, and long-term practice success. The decisions you make about location, space planning, and facility development will impact your practice for years, influencing patient acquisition, operational costs, and your ability to adapt to changing healthcare delivery models. By carefully analyzing demographics, understanding true space requirements, negotiating favorable lease terms or making informed purchase decisions, and planning for realistic build-out costs, you position your independent practice for sustainable growth.

Town Doc specializes in helping physicians navigate these complex facility planning decisions with expertise in healthcare real estate, practice development, and operational optimization. Our team understands the unique challenges independent physicians face and provides strategic guidance on location selection, lease negotiation, build-out management, and facility planning that aligns with your clinical vision and business goals.

Ready to discuss your facility planning needs? Contact Town Doc to schedule a consultation with our practice development specialists and take the first step toward creating a facility that supports your vision for independent practice.

This guide is provided for informational purposes and should not be considered legal, financial, or medical advice. Consult with qualified professionals including healthcare attorneys, commercial real estate brokers, financial advisors, and practice management consultants when making facility planning decisions.

Ready to Start Your Independent Practice Journey?

Town Doc provides comprehensive support for physicians transitioning to independent practice. From financing to technology selection, we're here to help you succeed.

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Visit www.towndocinc.com

Call 248-529-5900

PO Box 127, Hamburg, MI 48139

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