



## The Specialists Who Will Take Care of Your Surgery



## Primary Care Surveyors

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Primary Care Surveyors is a niche surveying practice dedicated to the primary care property sector, established in 2009 by Adam Thompson who has over 20 years' experience in the sector. Clients range from individual GP practices to both specialist and general property companies.

Core services provided are:

- Development consultancy
- Investment agency
- Valuations
- Current market rent reviews

The above services are described in greater detail below. Primary Care Surveyors can also provide other services which we would be happy to discuss.



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**PRIMARY CARE SURVEYORS**

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## Development Consultancy

As the Primary Care sector faces increasing pressure and demand to provide a wider range of services, the trend is towards larger GP premises or co-location of multiple GP practices to provide a greater critical mass of patients within one building. There are many regulatory influences upon larger, purpose-built premises, notably:

- Equality Act compliance
- Infection Control standards
- Healthcare Building Notes and Healthcare Technical Memorandum (HBN/HTM)
- Care Quality Commission

With the level of demand increasing for premises, property development and investment opportunities within this field of healthcare are increasing. Primary Care Surveyors offer a complete portfolio of development consultancy services, covering:

### DEVELOPMENT APPRAISAL

Constant monitoring of Primary Care policy, economics and demographics helps us to prepare accurate viability studies, site appraisals and business models for your projects.

### SITE FINDING

We can provide advice for you in identifying and assessing the suitability of sites for refurbishment or redevelopment.

### TOWN PLANNING

Working with planning consultants to ensure a complete grasp of local planning policy, can assist in the submission of planning applications and appeals relating to your development.

### LEASE NEGOTIATIONS

We have extensive experience of lease negotiations and can act for landlord or tenant as required.

### RENT NEGOTIATIONS

The negotiating of rents can be a business-critical matter for both landlord and tenant and affect the viability of a development.

We regularly undertake negotiations with the District Valuer as to the level of rent for new medical centres. Our expertise is available to assist either party.

### OTHER OCCUPIERS

Often there is the opportunity to include other occupiers within a new medical centre. These occupiers tend to be related healthcare providers, notably:

- Pharmacy
- Dentist
- NHS

Pharmacy negotiations tend to focus on the extent of the patient list and potential prescription business that may be forthcoming from being located adjacent to doctors' practice(s). In addition, pharmacists are increasingly moving towards greater integration with doctors' practices.

The commercial terms agreed with a pharmacy will depend on the availability of a pharmaceutical contract or possible relocation of an existing contract. The commercial terms may include the payment of a premium (capital sum) as well as rent.

For GP practices considering taking a lease, there are numerous issues to be considered, including:

- How long should the lease be? This may be particularly pertinent if some partners are retiring in the near future.
- Will the rent be reimbursed by the NHS?
- Will the rent be reimbursed by the NHS after a rent review?
- Who is responsible for repairing the building?

These questions can be answered depending on the scenario affecting the practice, but often the question is not as daunting as it may first appear.

In order to mitigate the exposure to risk for the developer (albeit an experienced developer or a doctors' practice undertaking the development), it is important to ensure that all the lease and rent agreements are agreed prior to construction commencing and to any major costs being incurred.

## Investment Agency

There is much interest from investors seeking to acquire commercial property investments within the healthcare sector. This is driven by the prevailing level of low interest rates together with the secure income being offered by this sector. Whereas healthcare properties were once seen as belonging to a niche sector that would not ordinarily appeal to property investors, as the properties have become larger and investment yields have been strong many investors are now actively seeking to invest in such properties. This, combined with the greater emphasis being placed on healthcare provision at the primary care level, has resulted in this being a good time to invest in the sector.

Normal valuation or price considerations apply, such as location, age and specification of the building, but the terms of the lease will be critically important to determine the value as an investment. The number of tenancies in a building can also be a major influence.

Where leases are being granted, Primary Care Surveyors can advise on the terms of the lease to meet the clients' aspirations. Our transactional and sale-and-leaseback skills can be of valuable assistance to investors wishing to extend their healthcare property investment portfolio, or to those wishing to divest of their property.

Some factors you may wish to consider include:

- Is the asset value creating partnership issues?
- Are younger doctors interested in such a commitment as owning the property?
- Do exiting partners wish to withdraw their capital?

Adam Thompson has acted as investment agent on numerous transactions in the sector throughout the country, both as selling agent and in the role of advisor to those seeking to acquire healthcare property investments.

## Valuations

A valuation is an opinion of the capital value of an asset at a given date and tends to be done at times of partnership changes, but can also be carried out if a practice hasn't had their property valued for several years and has an out-of-date valuation figure in their balance sheet. Adam Thompson is an RCIS registered valuer and carries out the following types of valuation:

- Valuations for partnership purposes, in accordance with partnership agreements
- Pension valuations
- Valuations for accounting purposes
- Valuations for acquisition and disposal
- Valuations for if a partner is looking to join or leave a partnership

## Rent Reviews

### CURRENT MARKET RENTS

Practices who receive notional rent are to have this reviewed every 3 years as detailed in the NHS Premises Directions. The process is to be instigated by the NHS, who instruct the District Valuer to provide his/her opinion of Current Market Rent as at a given date. Once this is notified the practice can then decide to either accept or contest the proposed Notional Rent. Increasingly the NHS is stating that for the practice to contest the proposed Notional Rent, they must appoint their own surveyor, who is in turn to submit a report with their detailed reasons in support of a higher amount of Notional Rent. Negotiations should then ensue with the District Valuer.

If no agreement is reached, the review can be referred for local dispute resolution or ultimately can be referred to the NHS Litigation Authority.

Primary Care Surveyors act for practices in advising on Notional Rent and representing the practice thereafter in negotiations with the District Valuer. Where these reviews have not been undertaken for a number of years, by measuring in accordance with the up-to-date Code of Measuring Practice (RICS Guidance Note) we have found that often that it has been possible to get significant increases to the Notional Rent by reviewing both the floor areas and the rent applicable thereto.

### LEASE RENTS

Where a practice leases a surgery it is entitled to rent reimbursement, as opposed to notional rent, although often the amounts are in parity. This is because the amount of rent reimbursement is to have regard to the terms of the lease, which in turn is often consistent with the definition of Current Market Rent.

Under the NHS Premises Directions, the procedure is now that the landlord and the tenant (i.e. the GP practice) are to agree the rent at review in the first instance, following which the GP practice is to apply to the NHS for reimbursement of the revised rent. Practices need to have professional representation by a surveyor to mitigate the risk of agreeing to a revised rent under the lease without knowing what the amount of reimbursed rent will be.



This is because landlords often want the lease rent to at least match the amount of reimbursed rent, to reduce the risk of the tenant defaulting. If either the amount of lease rent or rent reimbursement cannot be agreed by negotiation, the rent in dispute can be referred for dispute proceedings.

Primary Care Surveyors can act for either party in this process in order to ensure that the right outcome is achieved or to represent either party in dispute proceedings if necessary. Fortunately most rent reviews are concluded positively through negotiation.

  
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