



The Condominium Form of Ownership for Physician Practices

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When we hear the word “condominium” or “condo” we typically think of a place to stay while on vacation or an apartment-style home in a densely-populated urban area. However, the condominium form of ownership can be a very useful tool for businesses including individual doctors and physician practices. Various types of practices and specialties naturally complement one another and, as a result, can mutually benefit from being physically located near each other in situations where the individual doctors do not belong to the same practice group or do not want to go into actual business together or own real estate together. For example, an orthodontist and a pediatric dentist may desire to be located in the same building, but each wants to own his own real estate rather than owning it as joint tenants or through a corporation or other entity. This is a situation where the condominium form of ownership can create an opportunity for these doctors.

What is often referred to as a “condo” is legally defined as a “unit.” The owner of a unit is the fee simple owner of that unit and is an owner in common (along with the other unit owners) of the common elements of the condominium. There is great flexibility in how the developer of a condominium (i.e. the physicians involved in creating the condominium) can structure what is classified as “unit” and what is classified as the common elements. For example, if an orthodontist and a pediatric dentist identify a two-story building where they would like to locate their practices, each doctor can own one floor of the building while the roof and skin of the building can be defined in the declaration of condominium as common elements. Maintenance, replacement, and repair costs could be shared equally or in a pro rata amount based on square footage of the units owned by the two physicians.

Additionally, there is an advantage to the condominium form of ownership among doctors or physician groups when one is ready to move, retire, or close their practice. In that situation, such a decision by one individual physician would reduce the financial impact on the other doctors located in the building or condominium because that doctor is responsible for his own unit separate and apart from the other unit owners. The sale or lease of that unit is the sole responsibility of that particular departing doctor or physician practice and – other than the need to replace the departing doctor with a complementary practice – would not otherwise involve significant time or money of the other doctors in the condominium. Certainly the logistics of this situation would be much less complex than might otherwise be the case if a condominium form of ownership were not utilized.

So when does undertaking the creation of a condominium make sense? If two or more unaffiliated doctors prefer to be neighbors and own their own real estate, but adjacent lots are

not available or practical, the condominium form of ownership may provide an opportunity for separate fee simple ownership in the same building or in separate buildings located on one lot. The bottom line here is to remember that when considering practice-related real estate opportunities, keeping the condominium form of ownership in mind may broaden the possibilities for the overall success of your practice.

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