4 real estate tips for young physicians changing markets

SEP 9, 2021

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Young physicians—particularly those who have completed their residency training in the past few months or years—often relocate markets. For those who are new in a city or state looking to buy a home, the process can seem daunting.

What are current market conditions and how do they impact the different segments of the market such as renters, buyers and sellers? Tal Frank, president of?PhysicianLoans—a preferred home-loan provider for AMA members—offers some insight on those questions.

The market is hot

The real estate market is as hot as it has been the past decade, and it looks like it will stay that way.

“The trend will slow down or stop once one of two things happens,” Frank said. Interest rates go up enough to seem less attractive and keep people out of the market or housing supply increases to meet the demand. Right now, there’s not much talk about any substantial increase in rates.”

Frank said that for physicians moving markets, the best way to secure a home in these current conditions is by taking quick action when something that fits their criteria hits the market.

Long-distance investment properties are cumbersome

Many young physicians who buy during residency may be leaving markets. In those instances, Frank believes that selling is likely to be the best course of action.

“I’m not a fan of a young doctor being an out-of-city or out-of-state landlord,” he said. “If they did their residency in one location and are moving, they should sell the home, make their money on it and then start fresh.

“If you are staying in the same city, depending on your financial picture and your ability to either manage the property or have the right property manager maintain it, holding on to real estate can be a good idea for doctors. Certainly, it allows you to increase equity and there are many tax benefits, but it depends on personal and financial bandwidth.”

Moving markets means adjusting expectations

If you are moving to a densely populated area from a mid-sized city, you are going to get less for your money. As a previous homeowner, that might be a difficult pill to swallow.

“Typically, young physicians who owned are going to want to again be an owner in a new market,” Frank said. “That’s where it makes sense to sell their property, make the money and then use that profit as a down payment to bring down the new loan amount. Even though a [loan] may not require a large down payment, that higher down payment will help them more comfortably afford something in a more expensive market.”

Don’t make moves on a whim

Frank stressed that there’s nothing wrong with renting, especially if you are new to a market. That gives you a chance to learn the areas that appeal to you and logistically make sense. What he does caution against is making a rash home-buying decision.

“There’s nothing wrong with slowing it down, renting, getting your bearings and approaching the search on your own timeline,” he said. “If you are renting July to July, as early as February you can start tracking the market and find the right timeline. Then you’re not so stressed out by having a difficult situation and doing it remotely or in a rushed window of time.”