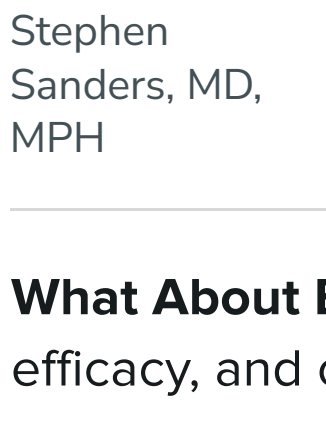



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Why Real Estate Is the One Investment Doctors Can't Resist

 Beth Braverman
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Stephen Sanders, MD, MPH, was still a resident when he and his wife purchased their first investment property, a foreclosure condo in Northwest Florida that they planned to market as a rental property. Things were going smoothly until the unit's air conditioning system conked out in the middle of the summer — a \$7000 emergency.



Stephen Sanders, MD, MPH

"We basically had to use a credit card to pay for that repair, and that caught us totally off guard," said Sanders, a men's health physician in Rosa Beach, Florida. "So from then on, we said, 'hey, we've got to have a contingency fund for repairs because life is going to happen.'"

Seventeen years later, Sanders and his wife now own multiple properties, but they haven't forgotten the lessons learned in those early days.

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Many physicians are captivated by the allure of real estate investment. In fact, real estate was the most popular source of income outside of medicine, reported by doctors in Medscape's [2023 Physician Side Gig Report](#).

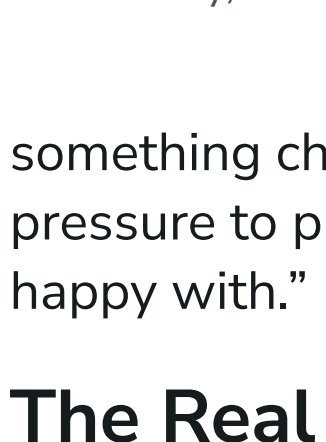
The benefits are enticing, including tax advantages — such as using depreciation or losses to offset income — and leveraging financing to acquire assets with long-term appreciation potential.

Given the typical trajectory of delayed but substantial earnings, many physicians view real estate as a way to accelerate wealth building, generate additional income, and create more flexibility around clinical work or retirement timing.



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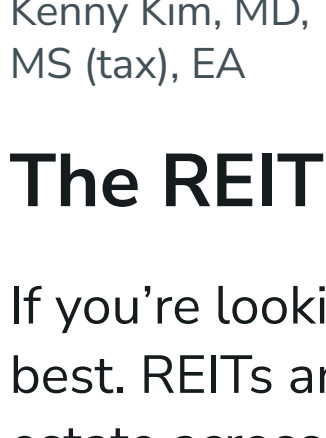
Jordan Frey, MD

"My goal is not to retire from medicine but to be able to become financially independent from it, so that I can practice because I want to and not because I have to, and I can be more fluid with the healthcare landscape changing all the time" said Jordan Frey, MD, founder of [The Prudent Plastic Surgeon](#), who started investing in real estate in 2020.

Frey now owns nine properties with 19 units that generate cash flow of around \$10,000 per month. "I'm employed now, but if something changed where it was no longer a good fit, then I wouldn't feel pressure to practice in a way I didn't agree with or in an environment I wasn't happy with."

The Real Estate Investment Spectrum

From passive routes like real estate investment trusts (REITs) and professionally managed syndications, to hands-on strategies like flipping, short-term rentals, and self-managed rentals, there is a range of opportunities to get involved in real estate. The question is how much time and operational/legal risk you want to commit.



Kenny Kim, MD, MS (tax), EA

"No single strategy fits everybody's situation, goals, and risk tolerance," said **Kenny Kim, MD, MS (tax), EA**, a palliative care physician, realtor, and tax strategist in East Bay, California.

Here are several options to consider:

The REIT Option

If you're looking for the lowest amount of time commitment, REITs may work best. REITs are companies that own, operate, or finance income-producing real estate across various commercial sectors, such as apartments, offices, or warehouses.

"You're essentially buying a sort of mutual fund that owns real estate," Kim said.

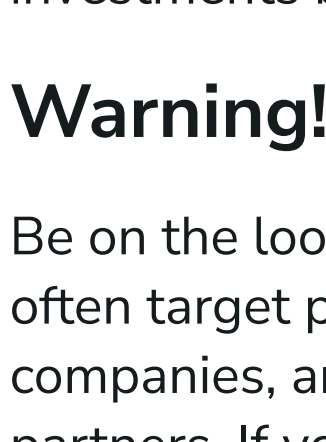
You can invest in public REITs that trade through brokerage accounts like stocks. Or private REITs are also open to "accredited investors" — individuals with an income of more than \$200,000 or a net worth of more than \$1 million — though these often have higher minimums. REITs may be less risky than other types of real estate investment because they have inherent diversification, but they typically have lower return potential.

"With REITs, you don't have any direct ownership," Frey said. "So you don't get any of the tax benefits, necessarily, but you're still investing in real estate."

Syndications and Crowdfunding

If taking the leap as a group sounds appealing, real estate syndication is a structure where accredited investors pool capital to purchase a specific property, often requiring higher investment minimums (\$50,000 to \$100,000 or more).

Crowdfunding uses online platforms to market similar deals, often with lower minimums (\$5000 or less). Both approaches are illiquid and have higher risk but may offer some tax benefits and potentially higher returns than REIT investments.



Chris Johansen, MD

Chris Johansen, MD, a radiologist in Sioux Falls, South Dakota began investing in real estate as a resident and gradually built up a portfolio of single-family homes. But as his family grew and his priorities shifted, Johansen and his wife started to transition from being hands-on landlords to more passive structures like syndication, land development, and professionally managed properties.

As a physician, "when times boom, your income is the same, and when times bust your income is the same," he said. "So you can take more risk in these investments because you have more resilience than other people don't have."

Warning!

Be on the lookout for fraud. As professionals with higher income, syndicators often target physicians. These deals are typically structured as limited liability companies, and the sponsor (general partner) brings in capital from limited partners. If you're considering this type of investment, it's important to carefully vet not only the deal but also the sponsor marketing it.

"The track record and competency of the syndicator is the most important factor in an investment decision related to syndication," Kim said.

Kathy Fetteke, co-chief executive officer of [Real Wealth](#) and author of *Retire Rich with Rentals*, recommends hiring an underwriter (ask your accountant or financial planner for a referral) to review any documents related to a syndication. These include the operating agreement, private placement memorandum (PPM), and a budget.

"[Physicians] get so many people trying to get them into deals, and they don't really have time to underwrite them or know how to do that," Fetteke said. "So they make a lot of mistakes and trust the wrong people, sadly, or just dive into things that they don't understand, thinking it's not as complicated as it is. So either getting educated or aligning with somebody who has a great track record is the way to go."

Direct Ownership

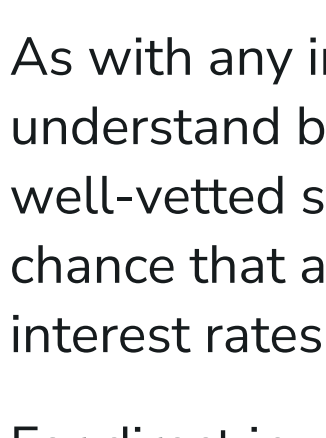
Ready to dive in on your own? Start by purchasing a short-term rental or a small multi-family property. Direct real estate investors enjoy the most control over which markets to invest in, how much leverage to use, their renovation strategy, and exit timing. They may also see higher potential returns and tax benefits.

Fetteke recommends focusing on "Class A" properties, the highest quality on the market, typically new buildings in growth areas. Such properties tend to offer better cash flow and appreciation while requiring less upfront time and labor on improvements.

Remember, you may need to handle marketing the property to attract tenants.

"A lot of healthcare workers are not really taught how to market, so that's a totally new topic for them, marketing and sales," said Ryan Chaw, a real estate investor and founder of [Newbie Real Estate Investing](#).

Direct investing requires more capital and more time. You can manage the property yourself or pay a property manager to handle the day-to-day. Either way, as the owner, you must be prepared to handle unexpected maintenance costs, tenant issues, and legal risks.



Matthew Bloom, DO

Matthew Bloom, DO, a pain management physician in Ventura, California, said he struggled with the challenges of direct management when he and his wife owned a rental home in New Orleans.

"That New Orleans property was something we ended up selling because it was too active that we wanted to be," he said. "You're having to do too much to manage it from another state, and we didn't have a good property management team in place."

Since then, he's shifted his focus to more passive, systemized investments, including investing in an apartment complex with friends.

Become Your Own Landlord

Some physicians invest by becoming direct owners of their own medical office buildings.

Tax attorney Mark Kohler, CPA, JD, PC of [Kyler Kohler Ostermiller & Sorensen](#) in Phoenix, recommends that physicians interested in going this route make the purchase through an independent limited liability company and have the practice pay rent to the LLC. That way, the property owners can deduct expenses like mortgage interest, repairs, and property taxes, while being shielded from both medical and personal liability.

No Guarantees

As with any investment, there are important risks that physicians should understand before putting their money into real estate. Investing in REITs or well-vetted syndicates can spread and manage your risk. But there's always a chance that any real estate investment could lose money, particularly when interest rates or local markets change unexpectedly.

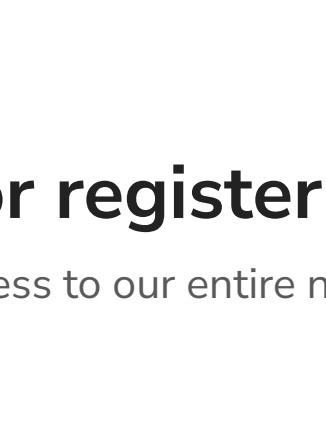
For direct investors, the risks multiply. Your tenant stops paying. You face a major maintenance challenge (such as a plumbing failure or roof replacement) that wipes out your profits. Changing tax or rental regulations make your investment less profitable. The list goes on.

Another risk for physicians in this space is misjudging the amount of time they need to put into their real estate investments. To keep it manageable, Sanders recommends hiring a strong team and delegating as much work as possible to them.

"Often, the mistake is thinking you need to be involved in every decision," he said. "A reliable property manager and a good CPA who understands real estate can significantly ease the day-to-day burden."

Think Long-Term

The real returns in real estate can take a decade or more to build. Investors need patience, both when it comes to finding the right deals and in recognizing that it will take time for them to grow.



Edward Johnson, MD

That's the goal for **Edward Johnson, MD**, a pediatric hospitalist in Norfolk, Virginia. He and his wife began investing in real estate 3 years ago, with the purchase of a short-term rental property that they market on Airbnb. Johnson has also made some private loans to other real estate investors and used a self-direct Individual Retirement Account (IRA) to invest in an apartment complex.

"I'm hoping in the next 10-15 years I will really start to reap the cash flow rewards, hopefully sooner," Johnson said. For now, "I'm just being patient and letting the process play out, again and again."

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