

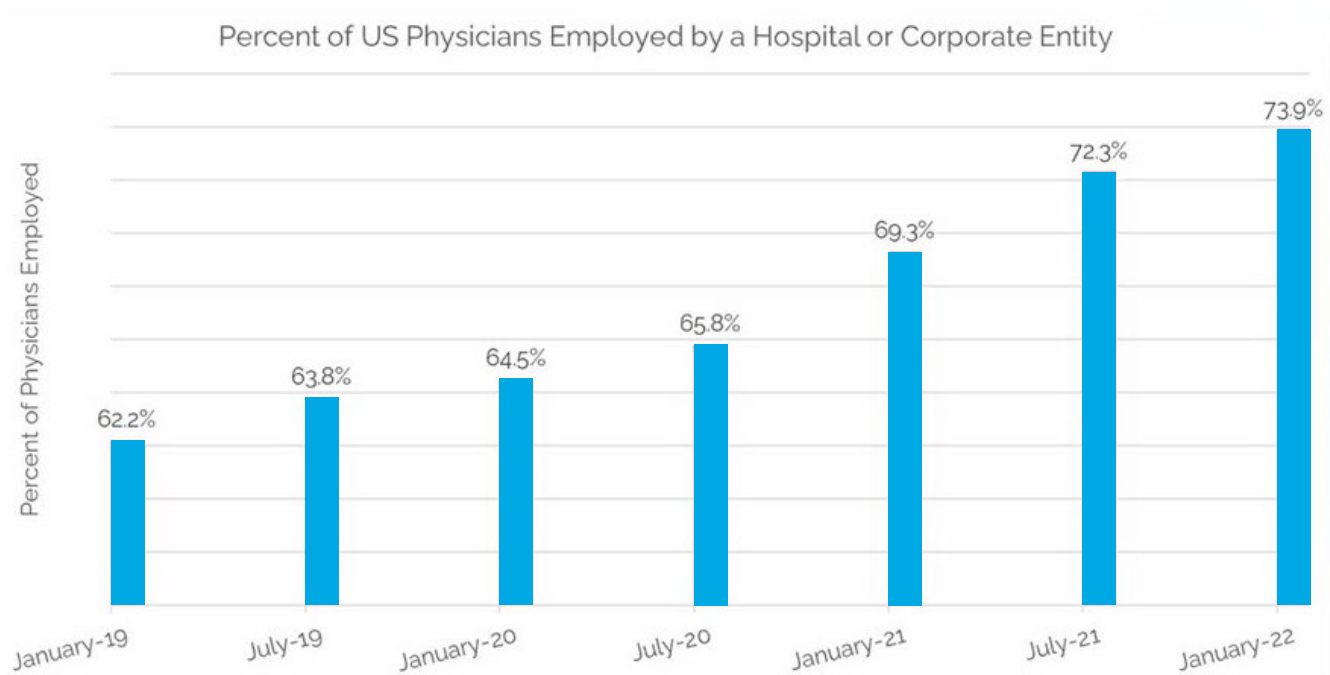


Medical Real Estate Trends

Quick Update Q3-2022

By: Beth H. Young

Pandemic pushed more Doctors away from independent practice



In addition to more physicians making the decision to leave private practice and go to work for hospitals or corporate entities, Revista reported in a webcast last week that physician reimbursements are not increasing like other PPI industries. The chart below demonstrates this trend, but may be understated since the number is purely what physicians receive from payors.

Medical Real Estate Trends

Top 50 Metros - MOBs 7,500 SF+
Last Updated of 10/21/2022

		MOB Count	Total Inventory SF	Occupancy Rate TTM (%)	Completed SF Past 4 Quarters	Absorption SF Past 4 Quarters	Rent NNN Avg	YOY Rent Growth SS (%)
2019	Q1	18,950	813.0M	91.7	16.8M	9.9M	\$22.39	2.2
	Q2	19,043	817.9M	91.5	15.4M	8.9M	\$22.29	2.1
	Q3	19,095	820.7M	91.4	14.2M	8.5M	\$22.27	2.0
	Q4	19,171	824.6M	91.3	14.3M	10.2M	\$22.37	1.8
2020	Q1	19,243	829.2M	91.2	16.2M	13.9M	\$22.43	1.6
	Q2	19,301	832.8M	91.3	14.9M	14.9M	\$22.53	1.5
	Q3	19,346	834.7M	91.3	14.0M	13.3M	\$22.65	1.7
	Q4	19,400	838.3M	91.3	13.7M	12.5M	\$22.75	1.8
2021	Q1	19,428	840.3M	91.3	11.1M	9.5M	\$22.97	2.0
	Q2	19,467	843.3M	91.3	10.5M	9.3M	\$23.06	1.7
	Q3	19,506	845.8M	91.3	11.1M	12.3M	\$23.15	1.9
	Q4	19,577	850.7M	91.5	12.4M	15.1M	\$23.39	1.9
2022	Q1	19,594	852.1M	91.6	11.7M	16.0M	\$23.50	1.9
	Q2	19,628	854.7M	91.8	11.4M	17.0M	\$23.75	2.0
	Q3	19,673	857.9M	92.0	12.1M	18.1M	\$24.04	2.1

Atlanta ranks first in annual absorption of medical office space over the past year, followed closely by Houston. Houston has a strong lead in rent growth, square feet under construction, and total square feet.

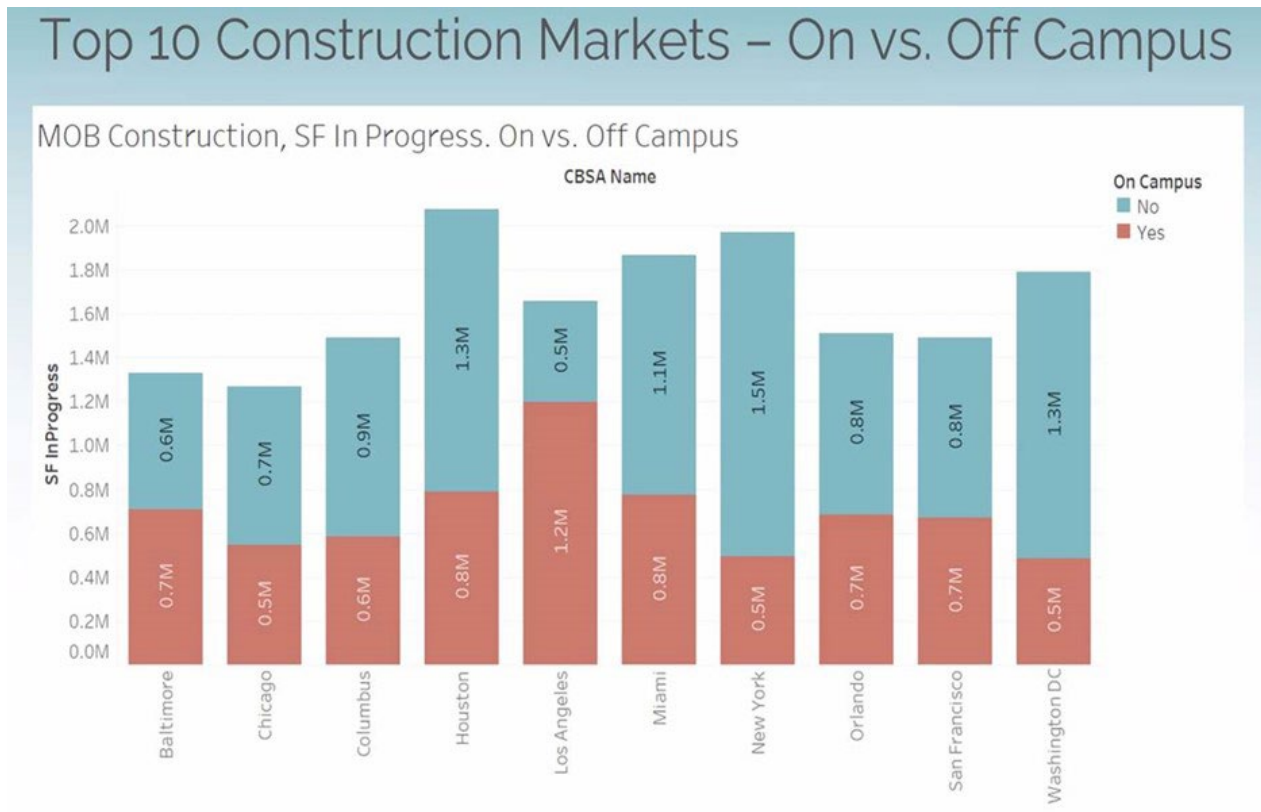
Atlanta Ranks First in Annual Absorption

MOB Fundamentals - Top 10 Demand Markets (ranked by total TTM Absorption SF, 3Q22)

	Total SF	Occupancy Rate TTM (%)	SF Completed Past 4 Quarters	Absorption SF Past 4 Quarters	Rent NNN Avg	YOY Rent Growth SS (%)	Cont. SF In Progress	Const. SF In Progress Vs Inventory (%)
Atlanta	31.2M	90.5	1,184,500	1,394,898	\$21.58	1.8	0.9M	3.0
Houston	43.5M	88.1	948,320	1,231,134	\$23.86	2.0	2.0M	4.7
Chicago	44.7M	92.7	665,113	991,114	\$21.92	1.8	1.3M	2.8
Dallas	38.2M	89.9	301,755	925,325	\$22.25	1.9	0.7M	1.9
New York	78.4M	93.3	610,543	905,787	\$26.85	1.5	2.0M	2.5
Phoenix	20.7M	87.9	452,227	764,491	\$21.45	3.0	0.7M	3.4
Washington DC	24.7M	90.5	480,093	740,771	\$26.06	1.1	1.8M	7.2
Los Angeles	60.5M	92.2	211,000	721,115	\$36.51	2.2	1.7M	2.7
Miami	22.4M	93.1	337,046	684,042	\$24.12	3.0	1.9M	8.4
Denver	15.2M	90.7	256,682	451,390	\$23.05	1.9	0.1M	0.7

Medical Real Estate Trends

On-campus medical office buildings (MOBs) continue to demand a higher price per square foot, creating a strong market for new properties located adjacent to hospitals. This chart demonstrates the construction progress – comparing on-campus vs off-campus:



When brokers and MOB investors were polled to see where MOB Cap Rates may be by the end of 2023, 53 percent voted for an increase of 100-200 bps from current levels:

3Q22 Cap Rate Poll

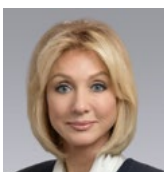
1. Where will MOB Cap Rates be by the end of 2023? (Single Choice)

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About the Author



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Beth Young is a real estate advisor to health systems, private and institutional investors, and users of medical facilities. She specializes in dispositions, acquisitions, marketing, asset valuation, contract negotiations, and leases of medical and investment properties.

Prior to joining Colliers, Beth was Vice President of the Investment Services Group of the former Grubb & Ellis Company where she specialized in the sale of investment properties including office, medical, retail and industrial buildings, and was a member of the Healthcare Practice Group. From 1996 to 2002, she served as Vice President of Corporate Services for The Staubach Company, now JLL.

Beth has served in numerous executive positions on the Boards of the Houston/Gulf Coast Chapter of CCIM, the National Board of the CCIM Institute, CREW, CoreNet Global, and the Greater Houston Women's Chamber of Commerce. In 2002, she was the first female to be elected President of the Houston/Gulf Coast Chapter of CCIM. In 2003, she was presented with the Presidents' Cup Award, the international award for outstanding achievement and leadership by a chapter president. In 2003 and 2004 she was elected Regional Vice President of CCIM's Region Four over Texas, Louisiana and Oklahoma.

Beth is a Director of the Greater Houston Women's Chamber of Commerce and has served since 2011. She is the Chamber Liaison with the Texas Medical Center; and has been recognized and presented with many awards including the Chamber's Volunteer of the Year, President's Key Supporter Award, the first Role Model Award and the Committee Chair Award. Beth is a Trustee and Assistant Secretary on the Harris County Hospital District Foundation Board and is Chairman of the Small Grants Committee. She has also served on the boards of the American Heart Association and the War Against Drugs. In addition to being an industry speaker at conferences, she regularly writes healthcare property articles that have been published by GlobeSt.com, Knowledge Leader, the Houston Medical Journal, Texas Real Estate Business, REDNews, Commercial Investment Real Estate magazine for the CCIM Institute, CREW White Papers, the Houston Chronicle, and the RCA Report for the National Association of Realtors.
