



The Bad News / Good News Situation

By: Beth H. Young

At the InterFace Healthcare Real Estate Conference held this month, Murray Wolf, the publisher of *Healthcare Real Estate Insights* (HREI) described the information that would be shared during a panel discussion as a "bad news, good news situation" in regard to the state of the healthcare real estate (HRE) sector.

HREI panelists described the negatives currently facing the healthcare real estate (HRE) sector as some of the same headwinds currently facing the overall U.S. economy, such as high-rate inflation, rising interest rates, supply chain difficulties and others. Buyers are finding debt is more expensive and more difficult to obtain now, and sellers are still expecting to get the same cap rates and pricing as they would have six months ago. Because of this difference in perspectives, medical office sales have slowed down. Sellers are learning that the returns will be different from what they used to be. Some of the panelists believe that this phase could last into 2023.

However, the good news is that the HRE industry usually comes through economic headwinds better than other sectors. Some of the positive comments included the acknowledgement that there are some large portfolio transactions in the works in addition to quite a few smaller individual deals. Smaller banks, including regional banks, want to make loans on healthcare properties particularly since some other sectors like office or retail are experiencing their own challenges. Lenders have become aware that healthcare real estate is more stable and resilient than general office and retail properties.

The healthcare real estate sector is dominated by a few large players who have plenty of money, but even they are being more cautious than in the past. Some potential sellers, especially those looking to sell portfolios of assets, are thinking about waiting to put their properties on the market. Buyers see that debt will be more expensive, and sellers see that cap rates are rising resulting in lower than expected sales prices. It's likely they may have missed the top of the market until it returns to "normal". But that could be a mistake if rates continue to rise. Most industry experts agree that if a seller needs to decide whether to sell now, or wait a year, now is the time to sell.



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.