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What Factors Bring the Highest Prices for Medical Office Buildings?

By: Beth H. Young

If this is the year to sell your medical office building (MOB), you may have chosen the best time to sell in the next decade. Market conditions are excellent for these properties considering (1) low interest rates, (2) low cap rates, (3) low availability of healthcare properties for sale, and (4) the high number of investors wanting to buy them. Demographic drivers continue to strengthen consumer demand for medical services. Medical office buildings are considered more stable because of creditable tenants who sign longer term leases and invest significant capital in their spaces. Interest could not be higher from healthcare-property investors and lenders.

The most obvious reasons to sell are good timing for a higher return on the investment and the desire to use the money for another investment. However, some additional popular reasons include changes in partnerships and desired percentages of ownership, a desire to put cash back into the operation of the business, hiring personnel, updating equipment, and renovating areas.

Once you know it's time to sell, how do you know what is realistic in price expectations? A property is in the best position to sell when it has:

1. a good location with a good story (growth area, visibility, high traffic),
2. a high occupancy with strong credit healthcare tenants,
3. a significant number of years left on the tenant leases (more than five is preferable), and
4. recent (in the last few years) construction or renovation of the property.

Sellers are seeing aggressive offer prices for quality medical properties. Your best time to sell is always when the building is newer, has little vacancy and strong leases with good tenants.



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.
