

COMMERCIAL REAL ESTATE

By [Karen Margrave](#) on March 21, 2013 [Commercial Real Estate](#)



Medical Office Buildings, The Perfect Storm!

Owning a family run real estate development company, we always keep our eye on the where we believe the current market is; and what market niche we believe has potential for long-term growth. Since the crash of the market, we, much like many of you, are more cautious than in the past; and have been doing our homework. We've come to the conclusion that we want to invest our money; and time into developing **medical office buildings**, and this is why:

MEDICAL OFFICE BUILDINGS

Best Location + High Demand – Low Supply = Financial Opportunity

- **BABY BOOMERS** – There are 10,000 baby boomers reaching age 65 each and every day, and that will continue for the next 17 years. The aging of the Boomers, coupled with the latest medical technology to improve the quality of their lives (hip and knee replacements, organ transplants, cosmetic surgeries, etc.) along with their subsequent rehab, and outpatient services, will create even more demand for medical care. The children of the Boomers, dubbed the **Echo Generation**, have had children, **Generation X**, that participate in extreme sports, which by their nature cause many more injuries, and thus a growing number of medical practices devoted to rehab, sports medicine, and nutrition.
- **AFFORDABLE CARE ACT** - The advent of the ACA will put even more people into the market for healthcare and preventative care, resulting in a high demand for medical office space. The Congressional Budget Office estimates that by 2016 an additional 32 million patients will have health insurance coverage.

- **CHANGE IN SERVICES** - Procedures that were once traditionally performed in hospitals, such as surgery, have been moving to outpatient surgery centers, specialty centers (robotics, cosmetic surgery, ophthalmology, walk in clinics, etc.)

In a recent article in Amednews.com, it was stated that a 2010 Medical Office Report prepared for Marcus & Millichap, senior analyst Thomas Hershey estimated that nearly 45 million more square feet of medical office space will be needed if 50% of the 46 million uninsured individuals attain coverage through the health care system.

It is estimated that in order to accommodate those in the 55+ age group, by the end of 2013, an additional 25 million square feet of space is needed. In 2009 Medical Office sales were \$1.8 billion dollars. In 2010 that number rose to \$3.9 billion dollars.

LOCATION: Physicians are increasingly attracted to medical office space on or very near hospital campuses in order to leverage hospital services; and increase traffic to their private practices. Additionally some physicians are affiliated with those hospital systems; and require proximity to their campus. The limited number of properties for sale or lease in these areas create significant investment opportunities for commercial real estate investors.

As the Baby Boomers age, they are increasingly relocating to “Sunbelt” states, such as California, Florida, Arizona, and other states that have mild year round climates, and allow an active lifestyle. Adding to that trend, are growing families that seek out those same areas due to the abundance of educational offerings, strong business climates, health care services, cultural venues, sporting events, etc., and the overall outlook for health care services in those places will remain strong for years to come.